

Vancouver Trade and Convention Centre Authority

Performance Plan and Annual Report

Fiscal 2001/02

**Prepared for tabling in the Legislature of British Columbia pursuant to sections 13 and 16 of the Budget
Transparency and Accountability Act**

Victoria, BC

April 2, 2001

Vancouver Trade and Convention Centre Authority

Performance Plan and Annual Report Fiscal 2001/02

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CORPORATE PROFILE

The Vancouver Trade and Convention Centre Authority (the "Authority") was incorporated on October 2, 1998, as a not-for-profit corporation without share capital pursuant to Part II of the *Canada Corporation Act*. The Authority is governed by a board of directors, the majority of which are presently appointed by the government of British Columbia.

The purpose of the Authority is to promote tourism and conventions in British Columbia. To this end it is expected to finance, build and own the convention and exhibition facilities and necessary ancillary facilities at Canada Place in Vancouver.

On October 5, 1999, the Province of British Columbia cancelled the construction of the new convention centre. Consequently, the mandate of the Authority was directed away from design and construction to termination and disposal of its assets.

The Minister of Finance and Corporate Relations acts as the fiscal agent for the Authority. The Auditor General of British Columbia is the auditor for the Authority.

MESSAGE FROM THE CHAIR

I am pleased to present the annual report and performance plan for the Vancouver Trade And Convention Centre Authority for fiscal 2001/02.

In keeping with its current mandate to dispose of the remaining assets of the Authority, the organisation has in the last fiscal year disposed of about 75% of the stock of piling pipe, leaving about 11.6 thousand metres in inventory. All other machinery and equipment has been sold. The only other significant item remaining is a semi-fabricated overhead walkway. The Authority is in discussions with several municipalities who have expressed an interest in this item.

We anticipate all of the remaining assets will be sold within fiscal 2001/02.

Christopher D. Nelson
Chair
Board of Directors
Vancouver Trade and Convention Centre Authority

REPORT ON THE PERFORMANCE PLAN

MISSION

The Vancouver Trade and Convention Centre Authority (VTCCA) was created to achieve three objectives: (1) to provide a vehicle, representing the interests of Canada, the Province of British Columbia and the tourism industry, which would hold the existing convention centre lease at Canada Place and the expanded convention centre asset under a single owner; (2) to finance and manage construction of the "Portside" expansion project on the east side of Canada Place, and; (3) to sublease and maintain the assets.

The Portside project was abandoned on October 5, 1999. The VTCCA has been in wind-up mode since that date and exists only to dispose of remaining assets in an orderly manner.

VISION:

The initial vision of the VTCCA was to build and own a highly functional, effective and attractive expanded convention centre facility which was to be delivered on time and on budget.

The current vision of the VTCCA is the orderly wind-up of the Authority's business.

VALUES:

The core values of the VTCCA are:

- integrity in all actions
- full, true and timely disclosure of all transactions
- the orderly conduct of business to maximise shareholders' value.

GOALS AND OBJECTIVES:

The principal goal of the VTCCA at this time is the orderly disposition of the remaining inventory of construction materials at a fair price.

ENVIRONMENTAL SCAN

The remaining inventory of the VTCCA is limited to piling pipe and a semi-fabricated overhead pedestrian walkway. The piling material is typically used for stabilising the foundation for industrial and commercial projects and in construction of industrial marine terminals and piers. Demand for this piling material accordingly fluctuates with construction projects of this nature. Approximately 75% of the original piling inventory has been sold to date.

The overhead walkway has limited application. Intended to span roadway/railway tracks, the structure has potential application in municipal environments where safe pedestrian passage is required over roadways or tracks, or to perhaps to span a ravine or stream. All municipalities in BC have been given the technical specifications of this structure and discussions are continuing with several interested parties.

KEY STRATEGIC ISSUES

The principal wind-up strategy is to identify likely buyers/purchasing agents (typically engineering firms) and maintain periodic contact while inventories last. The piling materials were purchased at an attractive price and are offered for sale at a very competitive price in today's market.

PERFORMANCE MEASURES

The sales objective is to maximise the selling price while minimising storage costs. We would hope to sell the balance of the inventory within fiscal 2001/02.

MAJOR CAPITAL PLAN

Not applicable.

Financial Report

The Financial Report will be tabled as a separate document once the audit is completed.

The auditor for the VTCCA is the Auditor General of British Columbia.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

DUTIES AND OBJECTIVES OF THE BOARD OF DIRECTORS

The Board of Directors has full authority to manage the affairs of the corporation, to approve contracts and to exercise generally all the powers that Part II of the *Canada Corporation Act*, the Letters Patent and the By-Laws of the Corporation permit.

DIRECTORS AND OFFICERS

DIRECTORS:

Douglas E. Allen	Principal, Sage Group Management Consultants
Douglas Callbeck	Assistant Deputy Minister, Ministry of Employment and Investment
J. Thomas English, QC	Partner, Fraser Milner Casgrain LLP
John B. Gray	Director, VTCC Expansion Project Office
Christopher D. Nelson	Assistant Deputy Minister, Ministry of Employment and Investment

OFFICERS:

President:	Christopher D. Nelson
Vice President, Operations:	John B. Gray
Treasurer	Douglas Callbeck
Secretary	J. Thomas English, QC
Director, Operations:	Glenn Wright
Comptroller	Jennifer Smith

SUPPLEMENTARY INFORMATION

Volume 3 - Summary Business Plan – Portside.

Vancouver Convention & Exhibition Centre Expansion

Project Definition Report

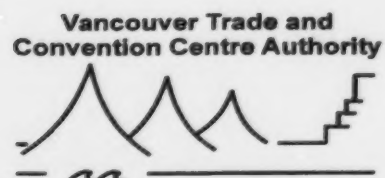
Volume 3 Summary Business Plan

**As at
September 7, 1999**

**Prepared by
Vancouver Trade and Convention Centre Authority**



**Vancouver
Convention &
Exhibition Centre**



Volume 3 – Summary Business Plan

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Appendix A: Vancouver Convention and Exhibition Centre Expansion Project, Schedule of Documents

Appendix B: Summary Statement of Project Benefits to Canada and British Columbia

1. Peer Review of MEI Benefits Model by KPMG
2. Summary pages of MEI model under three scenarios described in KPMG letter

Appendix C: Volume 1 – Project Definition Report:

1. Table of Contents
2. Executive Summary
3. Need for an Expanded Convention and Exhibition Centre

Appendix D: The Vancouver Trade and Convention Centre Authority

Executive Summary

In the age of electronics, video conferencing and the Internet, international meetings and conventions continue to be a growth business. Meetings and conventions are first and foremost social interactions and travel experiences that cannot be replicated electronically.

Vancouver is a highly desirable destination for international conventions and meetings, as demonstrated by the overwhelming success of the existing facilities at Canada Place. However, the present facilities require upgrading in order to retain the current customer base. The facilities also require expansion in order to attract new business from the international health, scientific, educational and high technology sectors, the identified target market opportunity for Vancouver convention facilities.

Tourism represents a substantial growth opportunity for British Columbia. Within that sector, the international convention business is an element of tourism that has demonstrated its affinity for British Columbia and its ready willingness to return in much greater numbers given the opportunity.

Investment in expanded convention facilities is simply a good business decision for Canada, British Columbia, the City of Vancouver, the tourism industry and the labour sector. As the table below reflects, all primary stakeholder-funders can be substantial winners in this business decision.

The winners: (first 30 years only; all dollars in Net Present Value)

- \$1 billion in new tax revenues to Canada and BC, created by new visitor spending in Canada.
- About 7,000 person years of construction related employment including about 3,000 person years or 6 million hours of direct construction labour, followed by about 4,000 new direct and indirect jobs in the hospitality industry and their suppliers.
- \$4 billion in direct new economic activity created by delegate expenditures, which will flow through all facets of the hospitality industry from the arts to accommodation, attractions to transportation.
- \$200 million in after-tax profits for hospitality sector.
- the Port will receive a third cruise berth, essentially at no net cost to itself, and substantially enhanced development opportunities for its contiguous lands.
- GVTA/TransLink will secure long term tenure for the southerly SeaBus terminal.

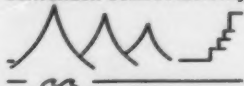
These benefits are summarised below.

STAKEHOLDER	CONTRIBUTION NPV 30 YEARS	BENEFITS NPV 30 YEARS	NET BENEFIT POSITION
Vancouver Port Authority	\$28.5 ¹ million	third berth (\$80 million); retail revenue; East lands development, site lease fees (\$5 million); enhanced cruise revenues	+very positive
Federal Government	\$170 million	\$520 million	+\$350 million
Provincial Government	\$375.5 million	\$530 million	+\$155 million
Tourism Industry Associations	\$90 million	\$4 billion in gross revenues \$200 million in after-tax profits ²	+\$110 million
Labour	\$30 million	\$300 - \$350 million construction wages 6 million hours construction work 4,000 new jobs in operations	+\$270 - \$320 million +6 million hours +4,000 jobs
Tax Payers	\$549 million ³	\$1.050 billion	+\$500 million
GVTA/TransLink	nil	secures long term tenure for SeaBus; benefits from proximity to delegate traffic	+very positive

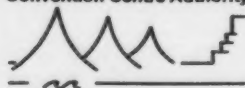
NOTES: 1. After hotel pre-paid lease invested
2. Assuming average industry profitability after tax of 5%
3. Includes Port, Federal and Province contribution per table in Section 6.

The consequences of not proceeding with expansion on this site are equally outstanding.

- the Vancouver Port Authority will face the full cost of developing a third berth, estimated at \$50 million.
- the Port will lose any realistic ability to generate substantive commercial revenues from its contiguous lands without incurring very substantial infrastructure costs.
- GVTA/TransLink exposed to risk of losing its lease for the southerly SeaBus terminal in 2008 and will forego the substantial revenue potential from close proximity to perhaps 1 million delegate days of visitor activity annually.
- Labour will forego 6 million hours (3,000 person years) of direct construction labour, 4,000 person years of indirect construction labour and 4,000 jobs in operations
- Canada and BC will forego \$1 billion in revenues not otherwise attainable.
- the tourism industry will forego \$4 billion of gross revenue and will struggle with an accommodation sector over built in anticipation of new convention facilities.
- Vancouver and BC will continue to lose convention business as existing facilities fail to keep pace with customer requirements.



The need for larger facilities is clear. The target market niche is well defined. The economic impact is very positive for BC and Canada. There are, however three essential preconditions to a construction commitment: a viable hotel agreement, a federal funding commitment and an enabling agreement from labour.



Foreword

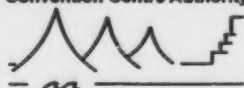
The convention centre expansion project on the "Portside" site requires a unique combination of public and private interests to participate in a legal and financial structure, which fairly allocates risks and rewards. Because the principal private commercial components – the hotel and retail elements, are to be constructed on the roof of the new convention space and because the project will create substantial "common areas" used by all stakeholders, agreement on cost sharing is a necessary pre-condition to project development. Acceptance by those stakeholders of a reasonable allocation of capital costs for foundation, infrastructure and other shareable capital costs, and a reasonable allocation of common area maintenance costs is an integral requirement of the business plan.

It has been argued that the private sector should develop, finance, own and take the risk associated with new convention facilities. The private sector could certainly do those things but it will only do so if it can earn a rate of return on the project that is comparable to the returns it could earn on other real estate developments. Such a return is achievable only if a lessee, such as BC Pavilion Corp. is prepared to enter into a long term lease rate which fully amortises the cost of construction and also provides a market rate of return. While the cost of such a lease far exceeds the cost of government financing the facility directly, government cannot pass to the owner enough of the financial risk associated with building and owning the structure to warrant such a cost premium.

A large convention facility is inherently an infrastructure project like a bridge or roadway. It facilitates commercial activity but it is not itself a commercial activity. Unlike roads and bridges, convention facilities targeting international clients provide immediate and direct payback to Canada and BC through tax receipts on delegate expenditures. Most importantly, these are tax receipts from non-Canadians, tax receipts, which do not otherwise accrue to government.

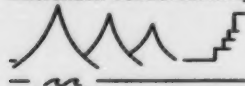
A convention space developer could never recover through rent the cost of constructing the convention and exhibition space. This is reflected in the fact all major convention centres in North America are financed through tax measures of one kind or another, with the exception of those which are financed and subsidised through commercial casino operations.

Though convention delegates spend hundreds of millions of dollars in Vancouver each year, those dollars flow into the community at large – for accommodation, meals, taxis, entertainment and so forth. Very little flows to the owner for rent of the convention space. As is described in this summary business plan, a public-private partnership was considered but rejected as an inordinately expensive option for the tax payer.



The business plan is composed of more than 40 separate studies and reports. The document list is provided in Appendix A. What follows is a summary compilation of that information. Throughout the plan the referenced original source documents, listed in Appendix A, are identified by volume and number. For example, report number 5 in volume B of Appendix A is cited as "AB5."

Only the key documents have been distributed to Western Economic Diversification and others due to the sheer volume of material. However, all documents are available for viewing at the offices of the Vancouver Trade and Convention Centre Authority, Suite 730 World Trade Centre, 999 Canada Place, Vancouver.



1.0 The Argument for Expanded Facilities

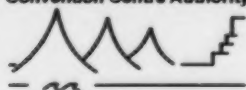
Since opening in 1987, the convention and exhibition business in Vancouver has grown rapidly, generating an estimated \$2 billion in economic impact in British Columbia in the ensuing 11 years. About 10% of every dollar spent by a convention delegate flows directly to the federal Treasury through GST and income taxes. A similar amount flows to the provincial Treasury through PST and income taxes. Substantially all of the delegate spending flows through the business community, supporting jobs, incomes, profits and the municipal tax base as conventioners buy restaurant meals, accommodation, transportation, gifts, entertainment, communications and other items.

These estimates of economic benefit do not capture potentially very substantial but as yet unsurveyed benefits arising from tourism and other expenditures which may be stimulated by attendance at a convention in Vancouver. Just as Expo 86 had a dramatic and sustained influence on new and repeat international tourism to British Columbia, the international convention business introduces tens of thousands of first time visitors to Canada and the province each year, many of whom will either extend their stay or return as vacationers.

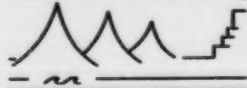
KPMG was engaged early in 1995 to prepare an "Assessment of the Market Potential for Expanded Convention Facilities in Vancouver." (See AA3 for details) This comprehensive study reached several important conclusions:

- the current facilities at Canada Place are operating at effective capacity;
- exhibitions and displays are increasing both in importance and in size as integral components of international meetings and conventions;
- international meetings/conventions is a growth industry, particularly in medical sciences, health care and technology areas;
- the market opportunity for VCEC is in the international congress/convention segment;
- VCEC's downtown, waterfront location is a unique convention setting with high international marketability.

Since 1995, the VCEC has been turning away established convention business clients because those clients have outgrown the existing facilities and new clients who cannot be accommodated within the booking schedule. In the first ten months of 1999, VCEC turned away 38 major convention bookings representing more than \$80 million in delegate spending.



Since the expansion plans were announced last spring, 47 new events have requested space, 75% of them too large to be accommodated in the current facilities.



2.0 What to Build?

Given the market opportunity for expanded facilities, the next fundamental question is what sort of facilities are required to maintain existing clients and capture the new target market. To address this question, KPMG was engaged to conduct focus groups with international convention organisers to identify their core requirements for exhibition, meeting and hotel space and to ascertain the important elements such as proximity to shopping, restaurants, hotels, etc., in the delegate attendance decision. (See AB1 for details).

The focus groups, other discussions with current and potential clients and review of the building programs of international competitors who have or are expanding their facilities confirmed the core needs. In order to service the target market, the key components are an exhibition space of approximately 300,000 contiguous square feet, (a tripling of the current exhibition space), a 1,500 seat lecture theatre, a variety of meeting rooms and associated amenities.

Two contracts were then let to define the building requirements to prospective developers of the project.

ZHA Incorporated, (now Conventional Wisdom), space planners who specialise in convention centre design were engaged to prepare a "program of spaces" which describes the design requirements in great detail. (See AB2 for details). The Program of Spaces is not a design of the building, rather it is a detailed specifications list for the height of ceilings, electrical requirements, access requirements and so forth the building architects and engineers must accommodate in order to create a fully functional building for convention and meeting purposes.

The second contract, with PBK Architects Ltd. resulted in the "Outline Specifications" document which identifies in great detail the standards that building materials must meet, the waterproofing requirements, the permissible types and thickness of glass, the heating and cooling requirements and so forth. The Outline Specifications ensure the finished product is fully functional space for the intended purpose, soundly built with materials of consistently high quality and low maintenance and operating costs. (See AB3 for details).

Together, the Program of Spaces and the Outline Specifications provide prospective developers the parameters within which they must design and construct the building.

3.0 How to Get It Built?

Once the preliminary design requirements were established, the Province, in November, 1995, issued a formal request for Expressions of Interest in building the new convention facilities. Three firms responded with conceptual plans – Concert Properties Ltd. (formerly Greystone Properties Ltd.), Marathon Realty, and Concorde Pacific Development Corp. In February, 1997, a formal Request for Proposals was issued to all of the three respondents, including the Program of Spaces, the Outline Specifications and market data on the convention industry among other things. (See AC1 for details).

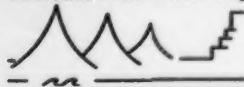
Proponents were required to meet three core requirements: land on which to build the project, a 1,000 room hotel and a program to integrate the existing convention facilities with the proposed new facilities. Proponents were also required to present alternative ownership arrangements for the convention facilities, that is, public-private partnership arrangements.

Of the initial three bidders, only Concert Properties Ltd. completed the bid requirements and submitted a development proposal. Marathon withdrew two days before the deadline due to a change in corporate direction. Concorde also withdrew, apparently because the company decided to pursue a major development opportunity in Toronto.

The Portside proposal involves building the new convention space over the water between the existing Canada Place/Pier B-C facility and the SeaBus southerly terminus, with the roof of the convention centre forming a street level plaza at the elevation of Canada Place Way and with hotel and retail facilities built on that plaza. Integration with the existing Canada Place VCEC facility also requires extensive retrofitting of the existing facilities and extension of Pier B-C to accommodate a third cruise ship berth. (See AD1 and accompanying volumes for details.) An overview map of the site follows.

The Portside proposal requires the co-operation and participation of a number of stakeholders including the Vancouver Port Authority as the landlord of the development site, Canada Place Corporation as landlord of the existing convention facilities, the Greater Vancouver Transit Authority (GVTA) as owners of the SeaBus which is required to be relocated and integrated into the development, CPR, Marathon, ONTREA, Helijet and other landlords or interest holders in lands contiguous to and affected by the development, the City of Vancouver and others.

The Portside proposal also presented 6 ownership scenarios, which can be simplified into two basic options:

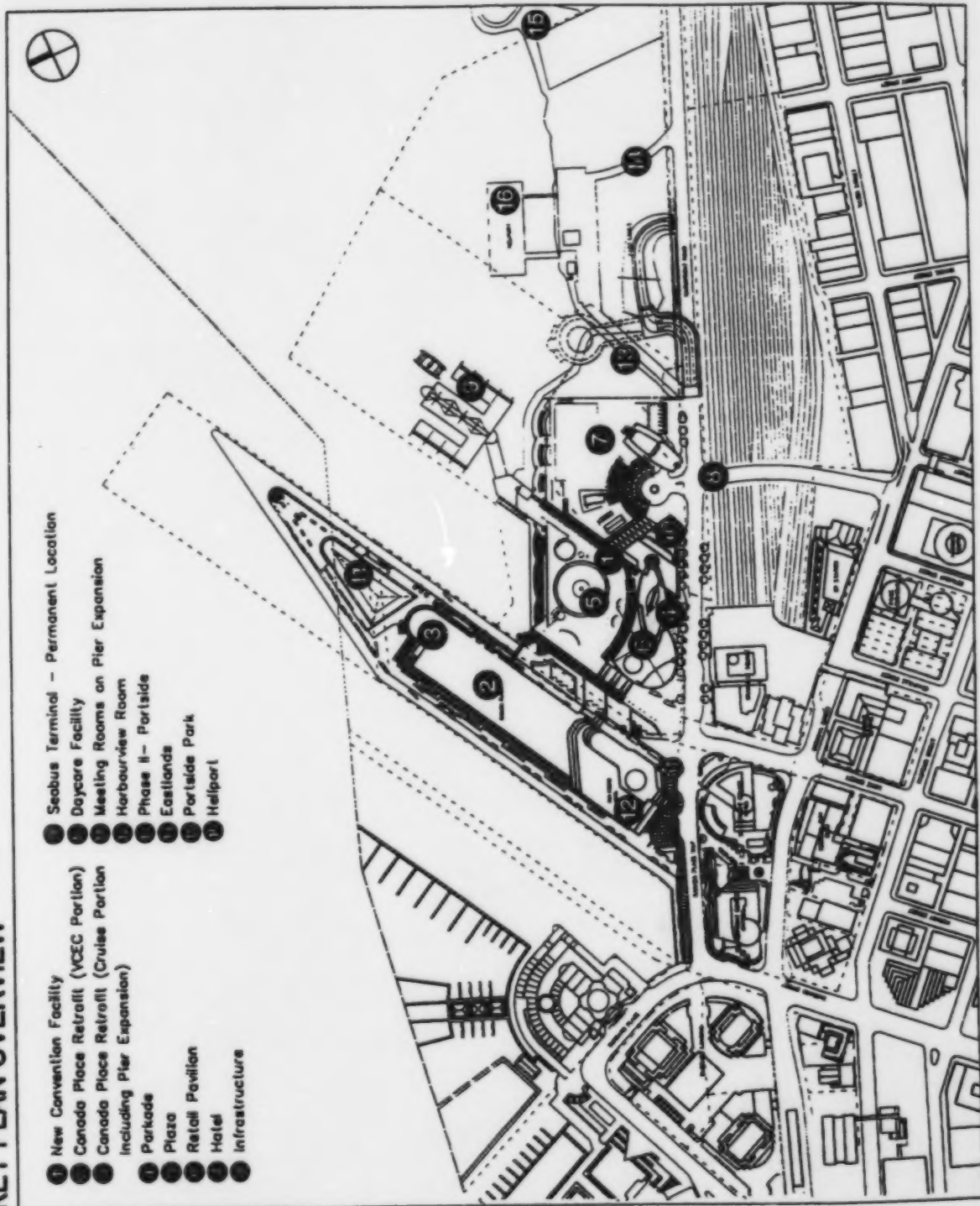


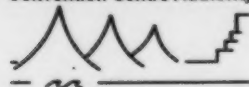
1. the developer finances, builds and owns and leases back to the Province on a 30 year lease
2. the Province finances and owns the facility, using Concert as builder/developer

The first option has been rejected for reasons of cost, lack of risk transfer from the Province and uncertainty described elsewhere in this document. This business plan accordingly assumes the project is built and owned by the Vancouver Trade and Convention Centre Authority (VTCCA), also described elsewhere in this document.

KEY PLAN OVERVIEW

- 1 New Convention Facility
- 2 Canada Place Retrofit (VCEC Portion)
- 3 Canada Place Retrofit (Cruises Portion Including Pier Expansion)
- 4 Parkade
- 5 Plaza
- 6 Retail Pavilion
- 7 Hotel
- 8 Infrastructure
- 9 Seabus Terminal - Permanent Location
- 10 Daycare Facility
- 11 Meeting Rooms on Pier Expansion
- 12 Harbourview Room
- 13 Phase II - Portside
- 14 Eastlands
- 15 Portside Park
- 16 Helipad





4.0 Cost Analysis

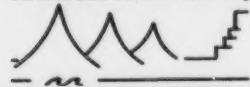
Project cost estimates have been developed at several stages in the proposal review and development program. The first estimates were prepared by Concert and included with their proposal submission, based on conceptual plans. (see AD1, AD2 for details). The Province's financial evaluation team then had those estimates tested by an independent firm of quantity surveyors. (See AE3 for details).

To bring an appropriate degree of focus and discipline to the design and costing program, Concert was instructed to prepare a "Project Definition Report." (See AB5 for details). The Project Definition Report, or PDR, is the key project document during the construction phase. The PDR describes in considerable detail each component of the project, its cost design and scheduling and its relationship to the overall project. The PDR also contains the budget details for the project, component by component. For budget planning purposes, the project cost estimate has been fixed in the final draft of the Project Definition Report on September 15, 1999 based on the drawing and design work completed to that date. The PDR has been distributed to federal offices in two binders. It is also available on CD ROM. The Table of Contents and the Executive Summary from the PDR are attached as Appendix C.

To ensure compliance with the budget through the architectural and engineering design process, the cost management plan requires re-pricing of the drawings at the 25%, 50%, 75% and 100% stages of drawing/design. If it is determined through the design review process that a project component cannot be achieved within the PDR budget, it will be redrawn, value engineered or, if necessary, down-sized to achieve the PDR budget.

The total project budget is set at \$990 million:

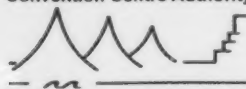
Function	Cost (millions)	Responsibility
Cruise Ship Expansion and Retrofit of Canada Place	\$140	Vancouver Port Authority Federal government
Hotel	\$280	Private sector
New Convention Centre space Parking, and SeaBus, including interest during construction	\$496	Province Federal government Industry
Retail/Commercial	\$45	Private sector but risk is on Province initially
Other Costs	\$29	Allocable contingencies not captured elsewhere
Total Project	\$990	Joint responsibility



The original Portside proposal projected a budget of \$725 million. (See **AB5**, volume 1 for details). Approximately, \$100 million of the variance between the Portside budget and the current budget is attributable to the transition from the very conceptual level of detail in the Portside proposal to the architectural level of detail required to confirm pricing. This was particularly significant for the marine component. The balance of the variance is attributable a \$60 million increase in the hotel component and to cost items that were inadvertently omitted in the original Portside submission.

In assessing confidence in the budget numbers, it is recognised that the above-ground building program involves conventional construction techniques and materials. The associated cost estimates accordingly include normal levels of contingency allowances. The marine portion of the work, however, includes higher than normal contingency allowances due to the inherent uncertainty involved in marine foundation construction. The contingency allowance in the marine estimates also reflect construction experience at various sites on the Burrard harbour waterfront

The project budget, excluding hotel, is summarised towards the end of this report.



5.0 Who Benefits?

There are four primary beneficiaries of the expansion project:

1. Canada Treasury
2. British Columbia Treasury
3. The Tourism and Hospitality Industry
4. Labour

The convention centre expansion project will create an annual incremental stream of fiscal benefits throughout its life. Those fiscal benefits occur as direct tax receipts, largely from GST for Canada and PST for BC. More importantly, those tax receipts are largely from international delegates and hence new tax revenue into Canada from external sources. For the federal Treasury, the estimated stream of tax revenue over the first 30 years has a "net present value" (NPV) on opening day of the new facilities of about \$520 million, at current interest rates. In other words, if Canada wished to buy those tax revenues on opening day rather than receiving them in a stream over 30 years, it would value them at about \$520 million. Similarly, BC would value its benefits at about \$530 million. The NPV calculation is the standard evaluation method for comparing revenues received over time with the costs of construction.

Industry, for its part, will receive the much broader and larger economic benefit arising from average annual delegate spending in the first 30 years in the order of \$300 million per year, (NPV about \$4 billion) which supports salaries, wages and other costs of doing business for hoteliers, restaurants, attractions, transportation providers and a host of other primary and secondary suppliers of goods and services to the tourism and hospitality industry. Some modest portion also translates into profits.

For labour's part, more than 6 million hours of direct construction employment (about 3,000 person years), equivalent to \$300 to \$350 million in wages and benefits, a further 4,000 person years of indirect construction employment, and 4,000 new direct and indirect jobs in operations once the new convention facilities are open for business.

The incremental economic impact of the expanded convention facilities has been calculated by four separate parties:

1. Marvin Shaffer and Associates – for the Concert Portside proposal – 1997 (see AH2)
2. Ministry of Employment and Investment (MEI) – 1998 - 1999 (see AH3)
3. KPMG – 1996 (see AH1)
4. Collier's International – for Western Economic Diversification 1998 (see AH4)

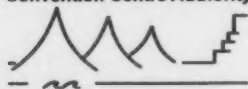
The first three of these agencies are generally in agreement on the value of the benefits to Canada, BC and the industry. The fourth, Colliers, arrived at a comparable conclusion if their results are corrected for client composition assumptions.

KPMG was recently engaged to conduct a peer review of the MEI benefits model and to confirm the currency of their 1996 estimates. This review confirmed the MEI benefits estimates. The KPMG review and the summary benefit tables from the MEI model are attached as Appendix B.

Stakeholders' Net Benefit Position after Funding:

STAKEHOLDER	CONTRIBUTION NPV 30 YEARS	BENEFITS NPV 30 YEARS	NET BENEFIT POSITION
Vancouver Port Authority	\$28.5 ¹ million	third berth (\$80 million); retail revenue; Eastlands development, site lease fees (\$5 million); enhanced cruise revenues	very positive
Federal Government	\$170 million	\$520 million	+\$350 million
Provincial Government	\$376.5 million	\$530 million	+\$155 million
Tourism Industry Associations	\$90 million	\$4 billion in gross revenues \$200 million in profits ²	+\$110 million
Labour	\$30 million	\$300 - \$350 million construction wages 6 million hours construction work 4,000 new jobs in operations	+\$300 million +6 million hours +4,000 jobs
Tax Payers	\$549 million ³	\$1.050 billion	+\$500 million

NOTES: 1. After hotel pre-paid lease of \$25 million invested in the project
2. Assuming average industry profitability after tax of 5%
3. Includes Port, Federal and Province contribution per table in Section 6.



6.0 Funding

The Portside proposal anticipated the cost of the federal portion of the project – the pier extension and retrofit of Canada Place, at \$98.5 million, composed of \$28.5 million from the Vancouver Port Authority and \$70 million from Ottawa. The new convention space was projected to cost about \$300 million. On the basis of this information, the Province presented its formal request to Ottawa by letter of June 1998 for a federal contribution of \$70 million toward the Canada Place and pier improvements and \$100 million, or one-third toward the new convention space.

Notwithstanding that further development of the design and the addition of contingency allowances increased the cost of the federal portion of the project (pier extension and retrofit) to \$140 million, the Province has not altered its request for \$170 million. Only the component allocation has changed, with \$111.5 million now going toward the retrofit and pier extension and \$58.5 million toward the expansion.

The Province also advised the Vancouver tourism industry that it would be required to contribute a minimum of \$90 million toward the cost of the new facilities.

The Province is committed to funding the balance, whether through long term lease from a third party such as the VTCC Authority or directly as an owner.

The proposed funding table follows:

ITEM	VANC. PORT AUTHORITY	FEDERAL GOV'T.	PROVINCIAL GOV'T.	PRIVATE SECTOR	TOTAL
(\$ millions)					
New Convention Space	\$0	\$58.5	\$171.5	\$90 ²	\$320
SeaBus	0	0	50	0	50
Retail	0	0	26	45	71
Retrofit of Canada Place and Cruise Terminal expansion	28.5 ⁵	111.5	0	0	140
Hotel	0	0	0	280	280
Interest During Construction			118 ³		118
VTCCA Construction Admin.			10		10
SeaBus Temporary Op's Costs			1		1
TOTAL	\$28.5⁴	\$170	\$376.5⁴	\$415	\$990

Notes: ¹ \$25 million paid by hotel to VPA for air rights, which VPA then contributes to terminal expansion

² industry contribution - NPV of payments over 30 years

³ assumes Province funds federal portion through construction

⁴ Province funds directly or through loan and lease terms with VTCCA

⁵ contribution after \$25 million hotel lease funds and before negotiated recoveries from Province for site leases.

7.0 Risk Analysis

7.1 Risk Exposure for the Province

The overall undertaking can be a highly successful investment from both a policy and an economic perspective. There are some major risks, however, that are being managed as they arise:

Interdependencies:

- The Vancouver Port Corporation is the landowner. Therefore its participation, on a fair and reasonable basis, is essential.
- The Hotel risk has increased because the Vancouver hotel market is much weaker than two years ago when the Concert proposal was launched. Nonetheless, Marriott and its partner, Concert, are committed to the project subject only to confirmation of financing. If Marriott withdrew from this project, it would be impossible to maintain the current schedule. A replacement probably could be found but the development would be delayed at least one year.

Federal funding:

- Federal participation is required at two levels: (1) the Port, owner of the current facilities, operator of the cruise terminal and landlord of the development site, and (2) Canada, major fiscal beneficiary from the Project. Canada has been asked to provide \$170 million in funding, for the federal retrofit costs and toward the new facility costs.

Cost pressures:

- The VTCC portion of the development will be subject to considerable cost pressures, from construction and equipment needs, to required labour time and rates, to third parties expanding or changing functional requirements. There are also demands to compensate third parties for specific purposes such as loss of business during construction.
- Cost management and schedule management are key components of the Project. Pacific Liaison (Henry Wakabayashi) is playing the major role here given its extensive experience in handling very substantial capital projects in the province, most recently the Vancouver Airport expansion.
- The basic approach is to manage to a specific budget number for the entire trade and convention centre expansion. Each cost increase will cause a corresponding reduction in expenditures elsewhere or, if necessary, a reduction in the scale of the Project itself. It should be noted that considerable Project risk has been averted by completing extensive geotechnical and marine design work in advance of the final decision to proceed.

Commercial considerations:

- The Project includes commercial. If this is not developed and financed directly by private parties, the Authority will build the minimum necessary structures and lease to third parties for finishing and operation. In other words, the Authority does not intend to be in the retail business but it will be required to meet the minimum City requirements for retail space under the Comprehensive Development Agreement. Lack of retail investor interest at that stage would indicate private sector assessment of lower than market rates of return on the retail component

SeaBus:

- The SeaBus relocation is expensive but unavoidable. Agreement in principle has been reached with the GVTA which will allow the facility to be relocated temporarily during construction and permanently on completion and which will keep GVTA whole on costs. SeaBus relocation costs which GVTA would not otherwise incur will be borne by the project. To minimise costs, the floating portion of the existing terminal will be re-used in the final permanent location.

Community interests:

- Community interest is high. Treasury Board may wish to approve community development programs in association with this project. No allowance for these possible program initiatives has been included in the overall Project budget as presented in this submission

Facilities integration

- Integration of lease periods, utilities, activities and other elements between the existing trade and convention centre and the planned expansion is essential to the efficient operation of the combined facilities. The establishment of the VTCC Authority is designed to facilitate efficient and effective integration.

Common costs sharing

- There are multiple parties involved in the overall development, with the resultant need to co-ordinate construction and ongoing activities and ensure common costs are properly shared. A proposed cost sharing formula has been developed by Concert and Pacific Liaison and the resolution will be included in a *Heads of Agreement* involving all parties. The VTCC Authority will play a direct role.

The VTCC Authority

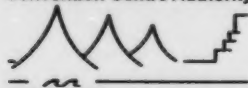
- The Office of the Comptroller General has provided guidance on how the debt of the Authority will be treated for accounting purposes.

- Financial advisors to the Project, Nesbitt Burns consider the risk of the Authority having difficulty raising capital to be small provided the Province guarantees the Pavco lease payments to the Authority.

Some Related Considerations

The overall development is a major undertaking. As outlined above, major risks have been identified and are being managed. It is also important to note some related issues.

- Concert is now focused on two functions: securing all of the necessary permits for the project, and designing and developing the hotel component. This change reflects the degree of risk Concert can realistically bear.
- all agreements with Concert meet sound business tests.
- the Port and Concert have considerable interest in developing the so-called "East lands", something that is much easier to do in conjunction with this development.
- community and environmental issues are important and will remain so through Project construction, recognizing that environmental issues raised to date are not large.
- industry is being asked to fund \$90 million (net present value) of the Project. The decision by government in this regard has been taken but not communicated publicly. As recommended before, this decision should be communicated as soon as possible to alleviate industry concerns and provide greater Project certainty.
- not all industry participants will welcome their funding role. Few can argue against it successfully, however.
- the case for an expanded convention centre is compelling with large benefits accruing to both the provincial and federal governments, to industry and to labour. This is well understood by all parties and confirmed by third party analysis.
- aboriginal interests are being addressed, recognising that there are several bands in the Lower Mainland with interests. The Tsleil-Waututh Nation has agreed to take the lead role in representing aboriginal interests. No significant issue has been raised to date. Some retail activity and public display involving aboriginal interests will be discussed with the respective bands over the coming weeks.
- significant movement in interest rates will affect the cost of construction which will in turn affect the cost of the Pavco lease of the new facilities.



7.2 Risk Exposure for the Federal Government

- Canada's risks are largely limited to its contribution
- the design of the pier extension is largely complete and construction costs confirmed
- the Province has offered an indemnity to the VPA, and by extension Canada, against any cost overruns
- Pavco has only to achieve about 25% of the expected market penetration in order for Canada to recoup its investment.

7.3 Risk Exposure for the Vancouver Port Authority

- Risks are largely limited to its contribution of own cash (\$3.5 million)
- Province has offered indemnity against overruns
- Hotel air space parcel lease is prepaid
- Minimum retail air space parcel lease is prepaid
- VPA's substantial exposure occurs if the project does not proceed, as they bear the full cost of cruise berth expansion at this or an alternate site.

7.4 Risk Exposure for the Tourism and Hospitality Industry

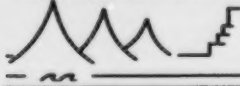
- Risk is limited to the industry contribution to capital costs
- Industry risk diminishes in direct linear relationship with growth in convention business.

7.5 Risk exposure to GVTA/Translink

- Risk is limited to minor disruptions during transition to and from temporary facilities
- Province has offered indemnity against all construction and any incremental operating costs.

7.6 Risk Exposure if the Project Does Not Proceed

- VPA incurs the full cost of building a third cruise berth, estimated at \$45 - 65 million
- VPA loses near term development opportunity on the Eastlands
- GVTA/Translink faces possible, very expensive and disruptive relocation if their Port lease is not renewed in 2008
- Federal Government foregoes \$500 million in tax revenue (NPV)
- Province foregoes \$530 million in tax revenues (NPV)



- Province loses investment incurred to date estimated at net \$73 million
- Tourism Industry foregoes at least \$200 million in after-tax profits (NPV)
- convention industry in Vancouver stagnates
- Labour loses 6 million hours of construction work; 4,000 new operations jobs in a depressed construction climate
- Pavco client base continues to erode as customers outgrow the Canada Place facility.

8.0 Why Canada Should Be Involved?

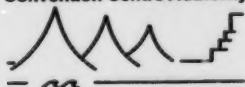
Federal participation is expected and necessary at two levels, the Vancouver Port Authority (Port) and federal Treasury:

Vancouver Port Authority:

- Port currently manages for Canada and controls the development site;
- Port, through Canada Place Corp., owns the existing convention facility at Canada Place;
- Port owns and operates the cruise ship terminal whose expansion to a third berth is an integral part of the development. Since the new convention space will eliminate one ship berthing space; extension of the pier will add two berths for a net total of three berths;
- The Port proposes to provide approximately \$28.5 million for the expansion of the cruise ship facility;
- To date, the Port is prepared to fund \$28.5 million (\$25 million from sale of hotel air rights) towards its portion of the Development, subject to the balance of Development financing being in place. Total Canada Place retrofit cost is \$140 million, excluding interest;
- The Port and Concert are also interested in the development of the "East lands," on the eastern perimeter of the Development site;
- Several businesses near Canada Place and business tenants of Canada Place Corp. will be closed temporarily and in some cases permanently due to the construction activity. Loss-of-business claims of \$4 million to \$8 million, in the aggregate, may be expected.

Federal Treasury

- the federal Treasury will receive at least \$500 million in revenue benefits from the Development;
- The Concert proposal now requires a \$111.5 million (originally \$70 million) contribution from Canada, beyond the \$28.5 committed by the Port, for the retrofit of the existing Canada Place facilities and the pier expansion to update and integrate them with the new facilities;
- Funding for the Canada Place retrofit is beyond the ability of the Port;
- British Columbia has formally asked Canada for \$170 million towards the project, \$58.5 million of which would go against the new convention space and \$111.5 million against the existing federal assets;



- As owner of the neighbouring harbour front lands, Canada stands to gain substantially as the value of those lands for industrial, commercial and residential use will be greatly enhanced, by the improved infrastructure and road access required for the project.

9.0 Cost Control

In order to ensure the project is built within the budget, the VTCC Authority has taken several measures:

- it has contracted with Pacific Liaison and Associates (PLA), highly experienced large capital project managers and developers, to act as the Owner's Representative in all discussions and negotiations with Concert and contractors;
- it has directed PLA to implement an appropriate project accounting and management information program;
- it has directed PLA to develop and issue a process and procedures manual for all aspects of the project including competitive tendering and purchasing, for reference by all contractors engaged in the project;
- it has directed PLA to prepare a standardised set of construction documents to be used with all construction contractors and materials suppliers;
- it has limited budget detail distribution to a need to know basis in order to negotiate best prices with potential suppliers and contractors;
- it has, through, PLA, directed Concert to prepare a detailed Project Definition Report (PDR) describing in detail the design, scheduling, approvals, budget and all of the pre-requisites to construction of each sub-component. The Executive Summary from the PDR is attached as Appendix C;
- it has, through PLA, directed the architects and engineering design teams to design components within the defined budgets;
- where tenders indicate components cannot be delivered within budget, the focus is on re-design, not re-budgeting;
- It has advised the Building Trades Council that some degree of enabling is required to make the total project cost feasible.

10.0 Pre-conditions for a Construction Decision

There are three essential requirements that must be met before construction begins.

1. The first requirement is for a bankable commitment from the hotel partnership that it will reimburse the Authority for that portion of the marine foundation, the infrastructure and related common area construction costs rightly attributable to the hotel component of the project.

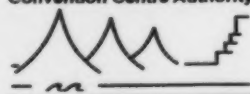
Notwithstanding that the hotel is to be built on top of the convention centre and hence cannot begin until the marine foundation is complete, this hotel agreement must be in place before the Authority or the Province commences construction. Once the Authority or Province commits to the marine construction program, it will have no ability to retroactively recover costs attributable to the hotel if there is no agreement in place. Such an event would amount to a direct and very substantial construction subsidy to the hotel, to the immediate detriment of established hotel properties.

2. The second requirement is for federal funding participation. Any publicly funded project of this nature must provide a substantial margin of benefits over costs in order to justify the public expenditure. The Province cannot fund the federal portion of costs and still achieve a satisfactory benefit-cost ratio.

There are also compelling economic and equity arguments for federal participation. First and foremost, Canada is not asked to run down its surplus to make a social expenditure. It is being asked to make an investment that will repay itself several times over in an established industry with a proven track record. At a contribution of \$170 million, Canada's investment will yield \$3 dollars for each dollar invested. Industry's investment, at \$90 million, will yield about \$2.20 in after-tax profits for each dollar invested. The Province's investment will yield about \$1.40 for each dollar invested.

As the owner of lands managed by the Vancouver Port Authority, Canada also will benefit substantially from the enhanced value and development potential of its neighbouring lands created by improved infrastructure, road access and traffic circulation patterns.

3. The third pre-condition to a construction decision is an "enabling agreement" with the building trades. Given the enormous amount of construction labour hours involved in this project, it is an appropriate candidate for an enabling agreement. An enabling agreement might be generally described as a discount for quantity. In exchange for such a large employment opportunity the trades agree to a reduced hourly wage scale. Precedents abound, particularly amongst large Province funded capital projects.



11.0 Ownership Structure

As noted previously, the Province intended to enter into a public-private partnership (P3) arrangement for the convention centre component of this project. The initial concept called for the expanded convention facilities to be owned by a private party and leased back to the Province on a 30 year term. A key objective in a P3 arrangement is the transfer of financial risk from the Province to the private sector developer/owner. The Business and Financial Evaluation Team (Finance Team) looked intensively at the financial implications of the P3 proposed by Concert and concluded that two key objectives were not met:

1. there was little transfer of risk from the Province to Concert;
2. there was a cost premium (or a benefit reduction) to the tax payer in the region of \$100 million associated with the P3 arrangement.

(See AE4 and subsequent work for details). Subsequent discussions with Concert confirmed that Concert did not anticipate or contemplate assuming a significant proportion of the financial risk associated with the development and operation of this project under a P3 arrangement. The Concert P3 proposal was consequently rejected.

Apart from the financial issues previously described, the P3 proposal did not have a solution for the logistical issues which arise when the two portions of the expanded and retrofitted facility are owned by two different landlords under different lease terms. Neither the retrofitted portion owned by Canada Place Corporation nor the expanded portion owned by Concert or some other private entity would be able to operate independently on the expiry of the 30 year lease.

To eliminate the legal and financial problems associated with the P3 arrangement, a non-share, not for profit corporation was incorporated, the Vancouver Trade and Convention Centre Authority, (VTCCA) as a vehicle to own both leases, to represent the interests of the federal, provincial and industry stakeholders and to maintain the common areas in the project. The VTCCA is incorporated under the Canada Corporations Act, Part II. (See AK2 for details)

The role and structure of the Authority is summarised in Appendix D.

12.0 Marketing

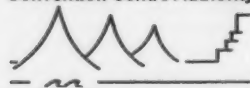
The ultimate success of the expanded convention facilities in generating the benefits projected in this Plan will depend on the convention marketing skill of the BC Pavilion Corporation (Pavco) and the promotional ability of Tourism Vancouver. As referenced earlier in this document, focus groups conducted with international convention organisers confirmed the high marketing appeal of a waterfront location combined with the inherent appeal of Vancouver as a convention destination.

Several key factors inherent in the Vancouver convention experience remain foremost amongst the historical preferences of international convention delegates. These include safety in the streets, close walking proximity to hotels, a variety of shopping, restaurant and entertainment experiences and a visually attractive venue. Other factors which help to sell Vancouver as a convention destination include the excellent international airport facility, British Columbia's growing reputation as the Asia-Pacific gateway and the increasing international recognition of British Columbia and Vancouver as a "beautiful" destination.

Vancouver also continues to attract stellar ratings from international travel promotion organisations such as Travel and Leisure Magazine who recently rated Vancouver 13th in the list of top 100 cities in the world and 3rd amongst the top 5 cities in continental USA and Canada.

For their part, the combined marketing efforts of Pavco and Tourism Vancouver have seen BC and Vancouver emerge as a world beater in the convention business. Last year, Vancouver was the leading destination for international conventions in all of North and South America. Notwithstanding, operating at capacity by industry standards, Vancouver has maintained an aggressive annual rate of growth in convention delegates by, among other means, using Vancouver's moderate year round climate to extend what is normally a seasonal business into an increasingly year round activity in Vancouver.

Notwithstanding capacity issues, since 1991 Vancouver has generated 12% annual average delegate growth. The economic benefits forecast for the expanded facilities, which will be approximately three times larger than the existing facilities, assumes a doubling of delegate days over current levels and a modest 2% annual average growth thereafter, a target that is highly attainable in a growth industry. (See AA3 for market details).



13.0 Project Budget

The Project budget is summarised on the overleaf. This budget excludes the hotel component, which will be privately financed.

Concert Properties Ltd
Budget Summary
Project: Portside
Prepared: August 1999

Description	Hard	Soft	Allowances	Subtotal	Corporate Contingencies	Total Before Shared & Allocated Costs	Shared Costs	Allocated Costs (1)	Total Before Development Fee	Development Fee	Total
Province Sponsored New VTCC Project											
New VTCC											
Convention Centre (incl Central Plant)	210,427,290	18,295,971	(365,000)	228,358,261	27,453,880	255,812,131	29,204,336	(36,338,750)	249,877,717	11,420,407	260,098,124
Harbourview Room	341,912	55,000		396,912		396,912			396,912		396,912
Temporary Seabus Plaza	20,256,100	3,765,561		24,041,661	4,350,000	17,050,000		19,628,900	17,050,000	2,254,439	17,050,000
Subtotal	231,025,292	22,136,532	(365,000)	268,846,824	31,803,880	301,650,704	29,204,336	(16,709,850)	315,145,180	13,674,846	327,820,036
Parking	27,083,200	1,051,892		28,721,892		28,721,892		(4,459,643)	24,262,249	1,252,508	25,514,758
Meeting Rooms	8,280,401	1,339,935	566,800	9,620,338	25,000	9,645,338		172,633	9,817,989		9,817,989
Retail Pavilion	27,625,800	3,208,703		30,834,503	1,044,440	31,878,943	6,475,020	4,619,862	42,973,825	2,164,552	45,138,377
Permanent Seabus	23,690,252	2,131,908	320,000	26,151,158	2,167,450	28,318,608	2,031,987	694,864	31,045,239	1,460,760	32,506,019
SUBTOTAL	117,715,645	7,523,438	541,800	125,740,883	30,640,770	156,381,653	37,714,333	(15,453,354)	171,342,672	18,232,881	189,575,553
Externally Funded Canada Place											
VCEC Portion (Including New Lobby Retail)	28,336,990	9,760,407	1,456,079	39,553,476	8,605,380	48,158,856	8,726,283	1,871,230	56,758,349	2,598,085	59,347,434
Cruise Portion	62,732,071	9,536,250		72,268,321	5,350,000	77,618,321		(2,043,863)	75,574,458	3,625,251	79,199,709
SUBTOTAL	91,069,061	19,296,657	1,456,079	111,821,797	13,955,380	125,777,177	8,726,283	(179,633)	134,352,585	6,223,336	140,575,921
Balance of Shared Costs & Corporate Contingencies & Allocated Costs											
Hotel											
Eastlands											
SUBTOTAL	0	0	0	0	1,704,260	1,704,260	12,147,454	13,639,681	27,581,386	6,109,255	33,790,650
Additional Project Costs (2)											
VTCCA Administration											
Interest during Construction (notionally estimated)											
GVTA (Translink) Operating Cost Premium for Temporary Seabus											
SUBTOTAL	0	0	0	0	789,000	789,000	7,535,708	0	8,324,708	0	8,324,708
TOTAL	408,810,998	41,926,647	1,997,879	451,735,524	49,879,380	501,614,904	54,122,781	(12,115,586)	539,599,318	24,167,341	563,766,659

Notes: (1) Shared costs include allocations to Daycare of \$156,745 and to Infrastructure of \$ 2,056,541 totalling \$ 2,213,286.
(2) Budget estimates provided by VTCCA



Concert Properties Ltd
Budget Summary
Project: Portside
Prepared: August 1999

Description	Hard	Soft	Allowances	Subtotal	Corporate Contingencies	Total Before Shared and Allocated Costs	Shared Costs	Allocated Costs (1)	Total Before Development Fee	Development Fee	Total
Province Sponsored New VTCC Project											
New VTCC											
Convention Centre (incl Central Plant)	210,427,280	18,295,971	(365,000)	228,358,251	27,453,880	255,812,131	29,204,336	(36,338,750)	248,677,717	11,420,407	260,098,124
Harbourview Room	341,912	55,000		396,912		396,912			396,912		396,912
Temporary Seabus Plaza	20,256,100	3,785,561		24,041,661	4,350,000	17,050,000		19,628,900	17,050,000	2,254,439	50,275,000
Subtotal	231,025,292	22,136,532	(365,000)	269,646,824	31,803,880	28,391,661	29,204,336	(16,709,850)	48,020,561	13,674,846	327,820,036
Parking	27,083,200	1,051,892	596,800	28,721,892		28,721,892		(4,459,643)	24,262,249	1,252,509	25,514,758
Meeting Rooms	8,280,401	1,339,935		9,620,336	25,000	9,645,336		172,633	9,817,969		9,817,969
Retail Pavilion	27,625,800	3,208,703		30,834,503	1,044,440	31,878,943	6,475,020	4,619,862	42,973,825	2,164,552	45,138,377
Permanent Seabus	23,699,252	2,131,906	320,000	26,151,158	2,167,450	28,318,608	2,031,967	694,664	31,045,239	1,490,780	32,536,019
SUBTOTAL	317,713,945	29,868,965	541,800	368,174,713	35,040,770	400,215,483	37,711,323	(15,682,334)	422,244,472	18,582,687	440,827,159
Federally Funded Canada Plaza											
VCEC Portion (Including New Lobby Retail)	28,336,990	9,760,407	1,456,079	39,553,476	6,605,360	46,158,836	8,728,283	1,871,230	56,758,349	2,589,085	59,347,434
Cruise Portion	62,732,071	9,536,250		72,268,321	5,350,000	77,618,321		(2,043,863)	75,574,458	3,625,251	79,199,709
SUBTOTAL	91,069,061	19,296,657	1,456,079	111,821,797	11,955,360	123,777,157	8,728,283	(172,633)	132,332,807	6,214,336	138,547,143
Balance of Shared Costs & Corporate Contingencies & Allocated Costs											
Hotel Eastlands				0	1,794,260	1,794,260	12,147,454	13,639,681	27,581,395	6,199,255	33,780,650
SUBTOTAL	0	0	0	0	2,583,260	789,000	7,535,708	13,639,681	8,324,708	6,199,255	8,324,708
Additional Project Costs (2)											
VTCCA Administration											
Interest during Construction (notionally estimated)											
GVTA (Translink) Operating Cost Premium for Temporary Seabus											
SUBTOTAL	0	0	0	0	0	0	0	0	0	0	0
TOTAL	408,783,006	49,165,625	1,997,879	476,946,510	49,579,390	526,575,900	66,122,768	(2,215,286)	590,483,382	30,996,278	750,479,660

Notes: (1) Shared costs include allocations to Daycare of \$158,745 and to Infrastructure of \$ 2,056,541 totalling \$ 2,215,286.

(2) Budget estimates provided by VTCCA

budgetsumAug99

REVISION DATE: 08/27/99

14.0 Conclusion

Expansion of the Vancouver Convention and Exhibition Centre (VCEC) facilities is a project whose time has come. The market opportunity has been defined and the market interest is apparent.

Expansion of the VCEC at Canada Place requires the commitment and co-operation of all of the stakeholders. With that co-operation all stakeholders will benefit tremendously from this project.

It is a project which requires investment, not expenditure, of public and private funds and it is a project which will repay that investment several times over.

It is a project which underscores the importance of international tourism to Canada and British Columbia. It is also a project which reflects government and industry understanding of the important contribution this sector makes to economic growth and prosperity in Canada.

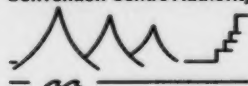
Appropriate measures are in place to ensure construction costs are managed within the established budget.

Appendix A

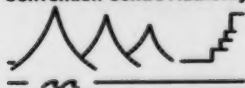
Vancouver Convention and Exhibition Centre Expansion Project

Schedule of Documents

VOLUME	SECTION	COMPONENTS
A	MARKET ASSESSMENT	1. David Hughes: Preliminary Market and Impact Analysis, September 24, 1993,
		2. Duke Spaxman Report Future Opportunities for the Convention Business, April 1995
		3. KPMG Report: Assessment of Market Potential for Expanded Convention Facilities, April 25, 1995
B	PROJECT DEFINITION	1. KPMG Report: New Trade and Convention Facilities Review Process - Summary of Customer Input Sessions, February 26, 1996
		2. ZHA Report: Trade and Convention Centre Facilities Review Program - Appendix B - Program of Spaces, February 11, 1997
		3. PBK Report: New Trade and Convention Centre Facilities Review - Appendix C - outline Specifications, February 11, 1997
		4. Development Agreement Application to City, May 19, 1998
		5. Project Definition Report - Volume 1&2, Concert, Draft September 15, 1998
C	REQUEST FOR PROPOSALS	1. New Trade and Convention Facilities Review Program: Stage Two - Request for Proposals, February 11, 1997.
		2. Addendum # 1 to the RFP
		3. Addendum #2 to the RFP - PAVCO Report: Vancouver Trade and Convention Centre Information Package, March 7, 1997
		4. Addendum #3 to the RFP
		5. Addendum #4 to the RFP
D	RESPONSE TO PROPOSAL CALL	1. Portside: Vancouver's Trade and Convention Centre Expansion, Business and Financial Proposal, (undated)
		2. Portside: Vancouver's Trade and Convention Centre Expansion, Business and Financial Proposal, (undated) - Financial Appendices
E	EVALUATION OF PROPOSALS	1. Method of Evaluation of Proposals, April 3, 1997
		2. Report of the Evaluation Committee - New Trade and Convention Facilities Review Program: Method for Evaluation of Proposals
		3. Hanscombe: New Trade and Convention Facilities Stage Two - Review Program - Quantity Survey, May 1997
		4. New Trade and Convention Facilities Stage Two - Review Program: Evaluation Committee Report on Stage Two. July 1997.
		5. Treasury Board Submission #24/98, October 31, 1997



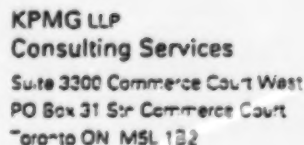
F	COST ANALYSIS	1. Financial Projections, Calculations of Annual Payments and Coverage Ratios, Coopers and Lybrand,
(E)		2. Treasury Board submission #24/98, October, 31, 1997
		3. Treasury Board Submission #4/99, March 30, 1998
		4. Treasury Board Submission #30/99, September 16, 1998 - Tab C
G	FUNDING ANALYSIS	1. U.S. Convention Market and Financing Alternatives - Merrill Lynch, 1996
		2. Analysis of Selected Funding Options for Convention Centre Facilities in Vancouver, David Hughes and Assoc., February 1997.
(F)		3. Treasury Board Submission #30/99, - Tab D
(F)		4. Treasury Board Submission #43/99, December 7, 1998 - Tab D
		5. Reconfirmation of USA Funding mechanisms, KPMG, December 1998
		6. Future SeaBus Terminal Study, Westmar, July 1999
H	ECONOMIC IMPACT ANALYSIS	1. KPMG Report: Potential Economic Impact of Additional Convention/Trade Show Facilities in Vancouver, April 1996
		2. Multiple Account Evaluation of the proposed Portside Development, prepared by Marvin Shaffer and Associates Ltd., April 25, 1997
		3. MEI Economic Impact Analysis Model, June, 1997 and following.
		4. Colliers Report for WED, June 1998, and provincial response
		5. KPMG Peer Review of MEI Economic Impact Analysis Model, August 12, 1999
I	RISK ANALYSIS	1. Portside: Vancouver's Trade and Convention Centre Expansion, Business and Financial Proposal, (undated) - Risk Register
		2. Treasury Board Submission #30/99 - Tab F
		3. Treasury Board Submission #43/99 - Tab F
		4. Geotechnical Investigation, Thurber Engineering, August, 1998
		5. Helijet Inspection Report, Westmar, July 1998
		6. SeaBus Terminal Inspection, Westmar, July, 1998
		7. Pile Driving Noise and Vibration Study, Wakefield Acoustics, August, 1998
K	OWNERSHIP STRUCTURE	1. Treasury Board Submission #30/99 - Tab H
		2. VTCC Authority incorporation and by-laws binder
		3. Legal Opinions (2) on the Taxable Status of the VTCCA, Fraser Milner
(D1)	PROJECT BUDGET	1. Portside: Vancouver's Trade and Convention Centre Expansion, Business and Financial Proposal, (undated)
(D2)		2. Portside: Vancouver's Trade and Convention Centre Expansion, Business and Financial Proposal, (undated) - Financial Appendices
(B5)		3. Project Definition Report - Volume 2, Concert
(F4)		4. Treasury Board Submission #30/99 - Tab C, Tab D



Appendix B

Summary Statement of Project Benefits to Canada and British Columbia

1. Peer Review of MEI Benefits Model by KPMG
2. Summary pages of MEI model under three scenarios described in KPMG letter



Telephone (416) 777-8500
Telefax (416) 777-2818
www.kor-q.ca

As part of an ongoing evaluation process, the British Columbia Ministry of Employment and Investment (the "Ministry") developed a modeling tool (the "Tool") to assess the fiscal and economic benefits of the proposed expansion project. This Tool incorporated a variety of input assumptions including many convention-related assumptions contained in the KPMG economic impact analysis and additional data required to assess the cruise ship terminal expansion as well as the costs involved with developing and operating the new facilities.



B. Scope of our review

The Ministry engaged KPMG to comment on the Tool. Specifically we were asked to:

- Review the input assumptions used in the Tool and, based on our knowledge of the convention and broader tourism industry, comment on their appropriateness.
- Relate the Tool outputs to the economic impact analysis previously conducted by KPMG.
- Comment on structural (e.g., scope of assumptions) and conceptual (e.g., time period analyzed) aspects of the Tool.
- Interact with Ministry staff to make adjustments to the Tool based on suggested modifications to input assumptions and related areas.

The scope did not include a detailed examination of the integrity of the formulas and logic imbedded in the Tool. Further, we did not attempt to verify certain assumptions outside our scope of knowledge (e.g., estimated capital costs), instead assuming the Ministry had completed sufficient due diligence to ensure the accuracy of these inputs.

Following completion of these steps we summarized our comments in this brief letter report.

C. Assumptions used and validity of the model

The Tool uses numerous assumptions to derive fiscal and economic impacts of the expanded Centre. The key assumptions, and those we focused on in our review included:

- Incremental convention delegates visiting Vancouver as a result of the expanded convention and exhibition facilities.
- Incremental cruise ship passengers as a result of expanded port capacity.
- Per person spending (applied to both conventioners and cruise ship passengers) on commercial accommodation and other purchases (e.g., food and beverage, retail).

KPMG

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- Growth rates for visitation and visitor spending.

We also reviewed and commented on general assumptions such as application of capital tax (e.g., the Port is exempt), pace of development (e.g., calculation of the years in which capital spending generates impacts) and the conceptual framework around the net present value calculations.

We recommended some changes to the model as a result of our review. These changes were principally focused on the desire to present a conservative estimate of the fiscal and economic benefits accruing from the expansion project. The most significant changes were:

- A reconciliation of delegate days and room nights between the original KPMG economic impact analysis and the assumptions used in the Tool. The impact of exhibitors as well as delegates was taken into account. This resulted in a decrease in the number of delegate days originally forecasted in the Tool but an increase in the per delegate/exhibitor spending.
- A reduction in the "straight-line" growth forecasted in the Tool, reflecting the cyclical nature of the convention business. In this regard we suggested calculating the number of delegate days and spending on a "stabilized year (i.e., 2005) and "ramping up" to this level from the anticipated opening in 2003. Growth scenarios of 0%, 2% and 4% per annum were run for comparison purposes.

Following these adjustments, the outputs of the Tool appear to reflect the fiscal and economic impacts of the expansion.

D. Benefits to British Columbia

The Tool quantifies benefits to British Columbia in two ways: fiscal (i.e., the future value of direct revenue streams from sources such as sales and income taxes as of the proposed 2003 opening date of the Centre) and economic (i.e., employment and value added).

The Tool calculates, based on the amended assumptions referred to above, the future value of government revenue (i.e., as of 2003) in a "no growth" scenario of about \$440 million. At a sustained 2% growth rate, the future value of government revenue would be in the mid \$500 million range. Higher average annual growth rates would result in higher revenues to government although capacity issues would prevent sustained growth at this level.



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In addition to the fiscal benefits, the Tool calculates that the province will benefit from the creation of significant construction jobs during the five-year development period. Operations of the expanded facility and the related support infrastructure will result in the creation of more than 3,000 full-year-equivalent jobs on an annual basis.

E. Benefits to Canada

In addition to the Province of British Columbia, the municipal and federal governments will benefit from incremental revenues. The Tool calculates that the future value of the 30 year revenue stream to the federal government will be in the order of \$430 million in a "no-growth" scenario rising to above \$500 million under a 2% sustained average growth rate. These revenues will result from personal income tax paid by workers on the construction and operation of the project, corporate income taxes paid by the various businesses involved and GST on all delegate and exhibitor purchases (with minimal rebates expected for international visitors, per Statistics Canada).

F. Benefits to City of Vancouver

The municipal government will benefit from a larger property tax base, which could be expanded further should additional hotel construction be undertaken to service new arrivals to the city. Based on current property tax levels for full-service downtown hotels in the \$3,500 - 3,700/room range, property taxes of at least \$3.5 million could be expected from the proposed 1,000-room hotel to be developed as part of the Centre.

G. Unquantifiable benefits

In addition to the fiscal and economic benefits identified above several, less quantifiable, but potentially significant benefits for Canada, British Columbia and the City of Vancouver are likely as a result of the expanded Centre:

- Pre- and post-convention leisure trips taken by delegates and exhibitors either in the Vancouver area or the rest of the province.
- Additional hotel development as a result of increased conventioneer and cruise ship passenger demand.



Page 5

- Incremental cruise ship provisioning (e.g., fuel, repairs, food and beverage purchases)

Finally the likelihood of reduced visitation to Vancouver, as a result of lost convention events if the Centre is not expanded, was not quantified.

H. Conclusions

Based on the scope of work undertaken and the amended input assumptions referred to above, we believe the Tool developed by the Ministry fairly represents the potential benefits from expanded convention and cruise ship facilities in Vancouver.

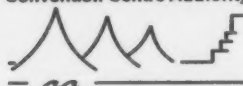
The convention and broader tourism industry, by its nature however, is difficult to predict with certainty. Factors out of the control of the convention centre and port authorities (e.g., weather, marketing practices of competing destinations, regulatory constraints) may have an impact on future business volumes.

* * * *

Thank you for the opportunity of working with you on this project. Should you have any questions on the content of this letter I would be pleased to discuss them with you.

Yours very truly

Lyle Hall
Hospitality, Leisure & Tourism
01-MR53
416-777-3098



BENEFITS MODEL

FOR

THE VANCOUVER CONVENTION AND EXHIBITION CENTRE EXPANSION PROJECT

Three representative benefits scenarios are presented, based on first 30 years of operation and incorporating most recent data from KPMG peer review and the 1997 cruise ship passenger survey:

Scenario #1: incremental trade and convention delegate days opening at 358,000 per KPMG and growing at 0% annually, on average (capacity never achieved)

Scenario #2: incremental trade and convention delegate days opening at 358,000 and growing at 2% per annum on average until capacity

Scenario #3: incremental trade and convention delegate days opening at 358,000 and growing at 4% per annum on average until capacity.

Per KPMG:

- the incremental total of 358,000 delegate days in the first normal year of operations is composed of 325,000 convention delegate days plus 33,000 convention exhibitor days
- the delegate spending per day at \$367 dollars is a weighted average of delegate spending and exhibitor spending. Exhibitor spending is much higher than delegate spending due to exhibit transport, set up and tear down costs and space rent.
- 325,000 delegate days represents about 80,000 delegates.

Per BC Pavilion Corporation:

- delegate days in calendar 1999 at the existing facility are projected to exceed 400,000
- the expanded facility would be approximately 3 times the size of the existing convention facility at Canada Place
- the existing facility is operating at capacity. Approximately \$1 million per day in delegate spending is being lost due to the capacity constraint.

8/17/99

MEI Benefits Model - VTCC Expansion

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
318	Case 1: 0% avg. yr., 358K del. from 2003;																	
319	SCENARIO: Gray/KPMG-New Cruise																	
320	Total Construction Expenditure:																	
321	Incremental Delegate Days:																	
322	Average Delegate Room Night Spending																	
323	Average Cruiser Room Night Spending																	
324	Average Delegate P/O Spending exc. hotel																	
325	Average Cruiser P/O Spending exc. hotel																	
326	Delegate Days Avg. Growth Rate																	
327	Cruiser Growth Rate Factor																	
328	Room Growth Rate Factor - Vancouver																	
329	Room Growth Rate Factor - Rest of GVRD																	
330	Avg Occupancy - Vancouver																	
331	Avg Occupancy - Rest of GVRD																	
332	Per Delegate Fee																	
333	Average Room Rate - Vancouver																	
334	Average Room Rate - Rest of GVRD																	
335	Hotel Tax Rate																	
336	Room Tax Rate YVR																	
337	Room Nights/Delegate Days - Factor																	
338	Room Nights per Cruise Day - Factor																	
339	Concession fees per delegate day																	
340	Room Tax Rate GVRD exc. YVR																	
341	PST																	
342	Avg. Pers. Inc. Tax BC - Operations																	
343	Employment multiplier - Direct Op's																	
344	Employment multiplier - Indirect Op's																	
345	Employment multiplier - Induced Op's																	
346	Construction Wage																	
347	Employment multiplier - Direct Const'n																	
348	Employment multiplier - Indirect Const'n																	
349	Employment multiplier - Induced Const'n																	
350	Incremental direct employment impact																	
351	Incremental indirect employment impact																	
352	Incremental total employment impact																	
353	Note: A factor of 0.5 will cut the growth rate by half																	
354																		
355																		
356																		

Case 1: 0% avg. yr., 358K del. from 2003;

Incremental Delegate Assumptions

2002 2003 2004 2005 2006 2007

150 358 358 358 358 358

Percent of Annual Delegate Capacity (1,488,000 delegate days)

AT: 10th Year 18th Year 20th Year 25th Year 30th Year

24% 24% 24% 24% 24%

Benefits Analysis:

Contribution by Component:

Construction 9% 8% 7%

Convention Operations 76% 78% 82%

Cruise Operations 15% 13% 11%

TOTAL 100% 100% 100%

Contribution by Tax:

Federal GST 67%

Pers. Income 22%

Corp. Income 8%

Other 4%

Provincial PST 102%

Hotel 20%

Pers. Income 11%

Corp. Income 4%

Other 5%

100% 0% 0%

Unquantified Tourism Impacts

If 10% of delegates toured 5 days

additional benefit to each govt.

would be approximately \$64,848

8/17/99

MEI Benefits Model - VTCC Expansion

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
318	Case 2: 2% avg. yr., 368K del. from 2003;																		
319	SCENARIO: Gray-KPMG-Her Cruise																		
320	Total Construction Expenditure:																		
321	Incremental Delegate Days:																		
322	Average Delegate Room Night Spending																		
323	Average Cruiser Room Night Spending																		
324	Avg Delegate PID Spending exc. hotel																		
325	Average Cruiser PID Spending exc. hotel																		
326	Delegate Days Avg. Growth Rate																		
327	Cruiser Growth Rate Factor*																		
328	Room Growth Rate Factor - Vancouver*																		
329	Room Growth Rate Factor - Rest of GVRD*																		
330	Avg Occupancy - Vancouver																		
331	Avg Occupancy - Rest of GVRD																		
332	Per Delegate Fee																		
333	Average Room Rate - Vancouver																		
334	Average Room Rate - Rest of GVRD																		
335	Hotel Tax Rate																		
336	Room Tax Rate YVR																		
337	Room Nights/Delegate Days - Factor																		
338	Room Nights per Cruise Day - Factor																		
339	Concession fees per delegate day																		
340	Room Tax Rate GVRD exc. YVR																		
341	PST																		
342	Avg. Pers. Inc. Tax BC - Operations																		
343																			
344	Employment multiplier - Direct Op's																		
345	Employment multiplier - Indirect Op's																		
346	Employment multiplier - Induced Op's																		
347	Construction Wage																		
348	Employment multiplier - Direct Const'n																		
349	Employment multiplier - Indirect Const'n																		
350	Employment multiplier - Induced Const'n																		
351	Incremental direct employment impact																		
352	Incremental indirect employment impact																		
353	*Near A factor of 0.5 will cut the growth rate by half																		
354																			
355																			
356																			

Case 2: 2% avg. yr., 368K del. from 2003;

Incremental Delegate Assumptions

2002 2003 2004 2005 2006 2007

2002 2003 2004 2005 2006 2007

Percent of Annual Delegate Capacity (1,489,000 delegate days)

AT: 10th year 18th Year 20th Year 25th Year 30th Year

20% 32% 32% 38% 39% 43%

20% 32% 32% 38% 39% 43%

Benefits Analysis:

Contribution by Component:

Construction

Contribution by Tax:

Federal

Provincial

Hotel

Unquantified Tourism Impacts

Pers. Income

Corp. Income

Other

If 10% of delegates toured 5 days

Additional benefit to each gov't

would be approximately

\$78,565

\$78,565

3/17/99

MEI Benefits Model - VTCC Expansion

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
318	Case 3: 4% avg. yr., 358K del. from 2003:																		
319	SCENARIO: Gray+KPMG+New Cruise																		
320	Total Construction Expenditure:				\$800 million														
321	Incremental Delegate Days:			see N319	thousand														
322	Average Delegate Room Night Spending			183	dollars	\$183													
323	Average Cruiser Room Night Spending			106	dollars	\$106													
324	Avg Delegate P/D Spending exc. hotel			367	dollars	\$367													
325	Average Cruiser P/D Spending exc. hotel			184	dollars	\$184													
326	Delegate Days Avg. Growth Rate			4%															
327	Cruiser Growth Rate Factor*			1															
328	Room Growth Rate Factor - Vancouver*			1															
329	Room Growth Rate Factor - Rest of GVRD*			1															
330	Avg Occupancy - Vancouver			0.75															
331	Avg Occupancy - Rest of GVRD			0.85															
332	Per Occupancy Fee				0 dollars														
333	Average Room Rate - Vancouver			use line 322	dollars														
334	Average Room Rate - Rest of GVRD			85	dollars														
335	Hotel Tax Rate			6.00%															
336	Room Tax Rate YVR			2.00%															
337	Room Nights: Delegate Days - Factor			0.8															
338	Room Nights per Cruise Day - Factor			0.5															
339	Concession fees per delegate day			1	dollars														
340	Room Tax Rate GVRD exc. YVR			0.00%															
341	PST			7.00%															
342	Avg. Pers. Inc. Tax BC - Operations			7.00%															
343																			
344	Employment multiplier - Direct Op's			18.9															
345	Employment multiplier - Indirect Op's			4.1															
346	Employment multiplier - Induced Op's			2															
347	Construction Wage			70															
348	Employment multiplier - Direct Const'n			8.5															
349	Employment multiplier - Indirect Const'n			4.1															
350	Employment multiplier - Induced Const'n			2															
351	Incremental direct employment impact			0.15															
352	Incremental indirect employment impact			0.1															
353	*Note: A factor of 0.5 will cut the growth rate by half																		
354																			
355																			
356																			

Case 3: 4% avg. yr., 358K del. from 2003;

Incremental Delegate Assumptions

2002 2003 2004 2005 2006 2007

150 358 372 387 403 419

Percent of Annual Delegate Capacity (1,469,000 delegate days)

AT: 10th year 18th Year 20th Year 28th Year 30th Year

35% 42% 51% 62% 76%

Benefits Analysis:

Contribution by Component:

Construction

Convention Operations

Cruise Operations

TOTAL

0% 2% 4%

9% 8% 7%

76% 79% 82%

15% 13% 11%

100% 100% 100%

Contribution by Tax:

Federal

GST

Pers. Income

Corp. Income

Other

0% 0% 100%

61% 22%

11% 2%

3% 100%

Unquantified Tourism Impacts

If 10% of delegates toured 5 days

additional benefit to each gov't

would be approximately

\$100,383

Appendix C

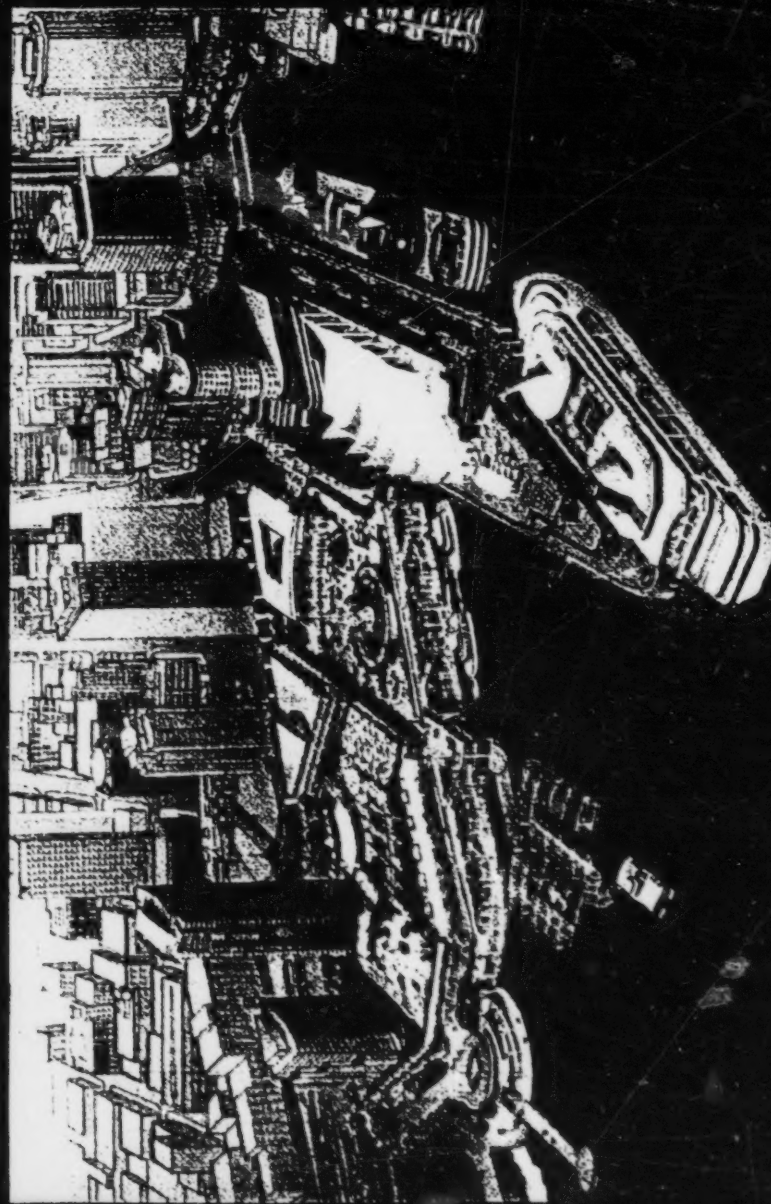
Volume 1 – Project Definition Report:

- 1.0 Table of Contents**
- 2.0 Executive Summary**
- 3.0 Need for an Expanded Convention and Exhibition Centre**



Convention &
Exhibition Centre

Project Definition Report



Portside

Volume 1 & Financial
Project Overview

Vancouver Convention & Exhibition Centre Expansion

Project Definition Report

Volume 1 & Financial Project Overview

**September 15, 1998
Revised June 30, 1999
Revised August 9, 1999**

Prepared by Concert Properties Ltd.



**Vancouver
Convention &
Exhibition Centre**

CONCERT
PROPERTIES LTD

Volume I – Project Overview

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Appendix

Section 5.0

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1.0 Executive Summary

1.1 Need for an Expanded Convention & Exhibition Centre

The current Vancouver Convention and Exhibition Centre (VCEC), formerly called the Vancouver Trade and Convention Centre (VTCC), opened in 1987 as Vancouver's first dedicated trade and convention facility and has grown to become one of the most highly utilized centres in North America. In 1994 the VCEC hosted 457 events, representing in excess of 540,000 delegate days and turned away major functions because of lack of space or an inability to meet the space requirements of users. Due to space limitation concerns, approximately 41 major events were lost.

Studies conducted in 1995 and 1996 confirmed the need for a substantial increase in exhibit hall, meeting room, and ballroom space along with a new production kitchen. These studies also identified the additional need for a 1,000 plus room convention hotel and a 1,000 to 1,500 seat lecture hall.

Vancouver has been placed in a strategic position as a gateway to important international markets due to the Open Skies bilateral agreement between Canada and the United States which has lead to increased air traffic through the Vancouver International Airport. This agreement further enhanced the need to expand the convention centre facilities in Vancouver.

The expansion of the Cruise Ship Facility at Canada Place from two to three berths is an integral part of the Portside Project and will allow Vancouver's facilities to keep pace with the growth in the number of larger ships servicing the Alaska Cruise market.

1.1.1 Background to the Portside Project Selection Process

Recognizing the need for an expanded VCEC and Cruise Ship facility, the Provincial Government made the decision to move forward with the Project in cooperation with the City of Vancouver. The Province and the City identified the objectives to be achieved and established a three-stage process to be implemented by a committee co-chaired by representatives of the two levels of government.

Stage I "Expressions of Interest" -- issued in November 1995, included criteria to determine that appropriate developers would be selected. After a comprehensive review of the three proponents' credentials and the proposed sites, all three proposals proceeded to Stage II in the process.

Stage II "Request for Proposals" -- issued in February 1997, required a response to a programme of spaces, site and community issues, business and financial considerations and proponent qualifications. Following extensive evaluation, Concert Properties Ltd. (Concert), formerly known as Greystone Properties Ltd., was selected as the "Preferred Proponent".

Stage III "Detailed Negotiations with the Preferred Proponent" – commenced in November 1997 and is intended to conclude the negotiations with the many stakeholders in the Project and complete the rezoning to become the successful proponent.

Provincial representatives and Concert agreed that a Project Definition Report (PDR) should be prepared for the purposes of outlining a comprehensive summary of the Project, its evolution and budget approval processes, budget and cost estimates for the Project elements, the Project schedule and a summary of the Project management. The PDR was initially submitted to the Provincial Treasury Board in September 1998 for approval to proceed and is now being reissued in its final version.

This final PDR has been updated to incorporate input resulting from the City approvals process which included a Public Meeting on December 8, 1998 for the Comprehensive Development Agreement, and a number of follow-up meetings regarding the Development Permit applications submitted to date and ongoing discussions on infrastructure and subdivision approval.

1.1.2 Project Agreements and Contractual Relationships

The Portside Project includes many diverse elements that are represented by some eight stakeholders. Concert has been working with all parties involved to identify agreements, licenses and contractual relationships that must be put in place to successfully complete the Project. Some key agreements have been established, while others are being negotiated with a view to having all required key agreements executed in 1999.

In March 1999, the VTCCA assumed responsibility for the existing Project. Agreements may be required to be assigned to VTCCA.

1.1.3 Project Approvals

The Portside Project is being constructed on the Vancouver Port Authority (VPA), formerly known as the Vancouver Port Corporation, Central Waterfront Lands. In 1994, the VPA and the City of Vancouver adopted the Central Waterfront Port Lands Policy Statement (CWPPS), after much public input and consultation.

The CWPPS provides guidelines for the development of a substantial part of the Portside Project and forms the basis of the Comprehensive Development Agreement (CDA) between Concert, VPA and the City of Vancouver. The public process associated with the Comprehensive Development Agreement was substantially concluded in December 1998 when the City voted unanimously in favour of the Project.

Leading up to the December 8, 1998 Public Meeting, the City of Vancouver spearheaded a public consultation process that included three major public information sessions and approximately 60 community meetings and focus groups. All comments were recorded by the

City and both the City and Concert have worked together to address concerns raised by participants at all of these meetings.

Concert and the City have agreed that all development east of Canada Place will be completed within the normal City of Vancouver Development and Building Permit requirements.

Development of the expanded Cruise Ship Terminal and the renovations to the existing terminal will be completed under the jurisdiction of the Vancouver Port Authority in consultation with Labour Canada and Canada Place Corporation. This is similar to the process by which permits have been issued to date for the Cruise Ship Terminal and the VCEC. Renovation and Pier Expansion of the existing Convention Centre will be completed under the jurisdiction of CPC following a similar process as the VPA.

Approvals from the VPA are also required prior to the start of any construction work both within and east of Canada Place as outlined in the Memorandum of Understanding between VPA, the City of Vancouver and Concert.

Concert is working very closely with the VPA and the City of Vancouver approving officer to achieve Subdivision and Air Space Plan approvals in a timely manner. VPA has currently raised title on four separate legal parcels of land. A subdivision/air space application for the lands east of Canada Place has been submitted and a possible second application for the Canada Place parcels has been identified and may also be required to facilitate the required approvals for very complex land issues.

The Burrard Environmental Review Committee (BERC) is responsible for reviewing all projects proposed within the Burrard Inlet and is comprised of five Federal and Provincial organizations. Although not a government agency and without legal authority, all of BERC's recommendations are founded on the authority of one or more of its member organizations. Upon approval of the Project, BERC will issue a letter of authorization outlining those environmental conditions which must be satisfied during and following construction of the Project.

Federal Government involvement in the Portside Project triggered a screening assessment under the Canadian Environmental Assessment Act (CEAA).

Discussions with BERC have extended over approximately three years, wherein potential environmental issues have been identified and mitigation measures are being discussed. The initial Project submission to BERC was in April 1997 with a revised design concept submitted in May 1998. During the past 12 months, detailed discussions have been held with BERC regarding both on-site issues and off-site compensation for loss of habitat. The off-site compensation has been proposed to be located at the "Fullerton" site in North Vancouver.

Recent meetings have been held with DFO, VPA and all stakeholders including the City of North Vancouver to review alternative compensation features at Fullerton. The results of these meetings include the preliminary acceptance by DFO and VPA of conceptual plans of features at

Fullerton, subject only to tenure and lease agreements and formal acceptance by DFO. Discussions are underway with the City of North Vancouver for their approval.

1.2 Project Components

1.2.1 New Convention Facility

Convention Centre

The new Convention Centre is designed to operate as a single facility, integrating the existing functions in Canada Place with the new exhibition hall to the east of Canada Place (approximately 23,000 square metres or 250,000 square feet). A new entry lobby will be located at the eastern edge of the existing Canada Place building. This will provide clear functional access to the new exhibition hall, to the refurbished and reprogrammed spaces "under the sails" and to the new meeting rooms constructed on the Pier Expansion.

The pre-function and registration areas for the new exhibition hall will be on two levels, located to the north of the exhibit hall and immediately adjacent to the harbour. These new spaces will be constructed on a concrete platform on piles approximately 300 metres (985 feet) long and 130 metres (430 feet) deep, east of Canada Place and over the water. The platform will be designed to meet current engineering and National Building Code Standards and will be structurally independent of the existing Canada Place pier.

The new ballroom, meeting rooms, lecture hall (1,500 seats) and production kitchen, will all be located within the existing VCEC spaces in Canada Place. In addition to the existing meeting rooms in Canada Place, the Pier Expansion on the 16,000 level will include approximately 4,609 square metres (49,612 square feet) of gross floor area of meeting rooms and appropriate support space.

The design of the meeting rooms and the physical layout responds to VCEC's requirements for promoting independent convention retreats. Structural steel and the pile foundations have been designed to accommodate these meeting rooms.

Parking

A new parking structure will be constructed south of the new exhibit hall, under Canada Place Way. Most of the spaces will be operated as a public self-park facility while other stalls will be reserved for specific users including the Hotel and the Retail Pavilion. As various demand groups have different peak parking demand patterns, the total amount of parking required is less than the sum total of the individual demand peaks. Approximately 800 parking stalls will be provided with access from Canada Place Way.

Public Plaza

The Portside Plaza is an integral element of the overall Project and will provide a major new urban meeting place for visitors and the citizens of Vancouver. The 11,000 square metre (120,000 square foot) Plaza is located above the Convention Centre Exhibition Hall and will contain features to entertain and delight all those who visit it. It will be accessible at each of its four corners and will be fully integrated into the adjacent facilities, with connections to SeaBus, SkyTrain, The West Coast Express, public bus routes and the adjacent streets. A portion, if not all of the Project's public art, will be integrated and located in the Plaza. The entire Plaza will be universally accessible.

The design of the Plaza is preliminary at this time and the Design Team is assembling planning and design criteria, in discussion with the City and with Project stakeholders. The conceptual design of the Retail Pavilion, the four-storey building that contains the Plaza along its southern edge, has recently been established and presented to the City Design Panel and received unanimous approval as submitted. Of particular importance was the strong support for the revisions to the porte cochere and the entire building massing. Now that this very important south edge of the Plaza has been firmly established, a Plaza design that integrates with each of its surrounding buildings will be developed along with a detailed proposal that includes programming and events that can be reviewed with the stakeholders.

1.2.2 Canada Place Retrofit

The Canada Place retrofit includes the expansion of the pier structure to the northeast to accommodate the new, third cruise ship berth and the expansion of the Cruise Ship Terminal as well as a refurbishment of the existing terminal and the retrofit of the VCEC facilities.

VPA forecasts that the number of sailings and passengers to Alaska will increase by approximately 50 percent by the year 2005. In order to meet these additional demands, a third berth will be added to Canada Place and the existing Cruise Ship Terminal of some 14,800 square metres (160,000 square feet) will be expanded and upgraded.

Renovations to the existing VCEC spaces will include converting the existing ballroom and the north end of the exhibit hall to meeting rooms, as well as converting part of the exhibit hall to a new 4,650 square metre (50,000 square foot) ballroom for the Convention Facility and a new 1,500 seat lecture hall/theatre constructed at the north end of the existing exhibit hall. A new production kitchen will be constructed adjacent to the new ballroom to provide superior food service.

1.2.3 SeaBus Terminal in Temporary and Permanent Location

The SeaBus is an important part of the Greater Vancouver transportation network and will remain in continuous operation during the construction of the entire Project with only a very

short "cut over" down time from the existing location to the temporary location and then another "cut over" back to permanent service.

The existing SeaBus float will be temporarily moved to the east, adjacent to the floating Helijet heliport. Once the permanent access links are in place, the existing floating terminal will be relocated from the temporary location to the permanent location on the north edge of the new Convention Centre Expansion. As further funding becomes available, the intention would be to replace the float and the terminal building or rebuild a new terminal building structure utilizing the existing float.

Although the SeaBus Terminal will be physically further from the CP Station from its present location, the travel time will remain within the criteria established by GVTA. This will be accomplished through the use of moving sidewalks, elevators and escalators to compensate for the increased distance that SeaBus patrons will travel.

1.2.4 Infrastructure – On-Site and Off-Site

The Portside Project will have access to all of the normal services and utilities presently available at its boundaries. In some instances services are available at the low-level road while others are accessed at Canada Place Way.

The framework for the infrastructure requirements on the Portside Project has included ongoing dialogue with the City from the earliest stages of the Convention Centre competition up to and including the Comprehensive Development Agreement application and subsequent subdivision and servicing meetings.

UMA Engineering Ltd. is completing servicing designs and has entered into discussions with the City of Vancouver Engineering Department to finalize servicing for the entire Project. Where services are not up to acceptable standards they will be upgraded in discussion with VPA, Canada Place Corporation, the City of Vancouver and Concert.

The Project will be connected to the City street grid in two ways, through an extension of Canada Place Way, east from its present termination at Howe Street and through the construction of a new viaduct structure east of the existing Station building connecting Cordova Street to Canada Place Way. These new streets will integrate the Project with the City street grid and will provide pedestrian and vehicular access "at grade". The low-level road (Waterfront Road) will provide service access for trucks, buses and service vehicles to the Project loading bays and will provide direct access to the exhibit hall. This very important service access will keep the vast majority of large vehicles off City streets and keep them on the dedicated truck routes.

The Cordova Connector has been designed as a 22.4 metre (78.4 foot) wide viaduct connecting Cordova Street and Canada Place Way, providing vehicle access and equally important, a pedestrian link that will facilitate the flow of people back and forth to the City, Gastown, and Chinatown. Representation from Gastown businesses and residents during the public

consultation process resulted in an agreement to increase the width of the Cordova Connector sidewalks by two metres (7 feet).

Bunt and Associates, the transportation consultants for the Project, have assessed traffic impacts throughout the downtown core from Burrard Street to Main Street. Various representative scenarios or design conditions were assessed and projections have been made for the years 2002 and 2007. Recommendations include several new traffic signals, the adjustment of sequencing or duration of some traffic signals, and an agreement that a review of some existing conditions is undertaken during the construction period. A Traffic and Event Management Plan will be developed in discussion with the City Engineering staff.

1.2.5 Retail

Retail Pavilion

The latest conceptual design of the Retail Pavilion is currently being reviewed and market analysis continues in an attempt to improve the viability of this element of the Project. The concept to develop a retail attraction that adds life to the Plaza was strongly supported by the Design Panel. The City and Concert continue to explore the possible acceptable alternatives to the overall theming and design of the Pavilion and their discussions form the fundamental approvals for the Retail Preliminary Development Permit (PDP) application. The Retail Pavilion has been reviewed with the City prior to the PDP application.

Initial funding for the Retail Pavilion will be provided by the Province, however, Concert will have the first option to own the facility.

New Convention Facility Lobby Retail

The new Convention Centre lobby is currently being finalized and some space is potentially available for retail that is functionally compatible with VCEC lobby operations. This will be finalized in the near future.

1.2.6 Hotel (Marriott/Concert)

The Portside Project includes a 1,000 plus room state-of-the-art convention Hotel, located on the east side of the Plaza and is physically linked to the Convention Centre facility. The Hotel will be a full service hotel with conference facilities, two restaurants, two licensed lounges, retail outlets and a fully equipped health club and swimming pool. This will be a landmark building on the waterfront with a height of 114 metres (380 feet) or 40 stories above plaza level, and will be a striking addition to the site to complement the Canada Place sails.

1.3 Schedule and Phasing Summary

The overall Project schedule has been prepared by Concert and can be found in Section 15.0 as Figure 15-1. This schedule is based on an October 1, 1999 start of construction in the water, beginning with the marine work for the Cruise Ship Terminal Expansion and relocation of the SeaBus Terminal. The schedule shows a completion of 2003 and the team will continue to work to achieve an earlier completion date. Phasing plans for the Portside Project are currently being updated and will be provided once they have been reviewed with the consultants and stakeholders and a consensus reached.

The schedule will be based on the assumption that BERC approval is received and work can proceed on site in October 1, 1999. Further refinements on schedule are in progress and will be issued as an addendum to this report as the new details become available.

1.4 Project Area Summary

The tabulation (Table 1-1) of Project element areas has been compiled from the Musson Cattell Mackey/Zeidler drawings dated May 7, 1999. These are approximate areas and will be refined as the drawings are finalized, but should not change substantially from those listed.

Table 1-1

ENCLOSED BUILDING AREA SUMMARY

Component	Existing and Rational (m ²)	New (m ²)	Total (m ²)
Portside Phase I			
Vancouver Convention & Exhibition Centre Facility			
- Convention Program	28,685 ²	42,789 ³	71,474
- Meeting Rooms on the Pier Expansion		4,609	4,384
- New Convention Facility Lobby Retail		256 ⁴	256
Cruise Ship Terminal	12,833	4,871	17,704
Permanent SeaBus			
- Terminal	2,323		2,323
- Link		42,390	3,938
Canada Place			
- Canada Place Corporation Offices		711	711
- Retail		75 ⁵	75
Daycare Facility		362	362
Retail			
- Retail Pavilion		16,313	16,313
Hotel (including Hotel Program, restaurants, etc.)		75,601 ⁶	75,601
Total Portside Phase I	43,841	149,525	193,141
Portside Phase II (approximately)		37,160	37,160
		400,000	400,000

Note: 1. All areas are gross buildable areas and are approximate due to rounding.

2. Total existing area of 28,685 square metres (308,773 square feet) is unconfirmed and is taken directly from the Stage II Request for Proposals dated February 11, 1997, Appendix 'B' program of spaces as provided by the Province (calculated as the total enclosed building area of 29,793 square metres (320,694 square feet) less the existing Harbourview Room of 1,107 square metres (11,916 square feet).

3. Excludes loading bay area of 8,843 square metres (95,188 square feet) and utility tunnel area of 658 square metres (7,082 square feet).

4. Includes retail space east of existing property line only. (i.e. new Lot 'C').

5. Includes retail space within Canada Place property line only. (i.e. existing VPA Lot 'A' - Apron).

6. Includes 351 square metres (3,778 square feet) of retail space on Level 16,000.

2.0 Need for an Expanded Convention and Exhibition Centre

2.1 Introduction to Existing Facilities

The Vancouver Convention and Exhibition Centre (VCEC), formerly called the Vancouver Trade and Convention Centre (VTCC), at Canada Place was opened in 1987. Converted from the Canada Pavilion at Expo 86, it became Vancouver's first dedicated trade and convention facility. The existing VCEC consists of the following facilities:

- 8,730 square metres (94,000 square feet) of column-free exhibition space
- 1,580 square metres (17,000 square feet) of ballroom space
- 21 meeting rooms of various sizes

With a strong marketing program by BC Pavilion Corporation (Provincial Crown Corporation operator of VCEC) and Tourism Vancouver, VCEC grew to be one of the most utilized trade and convention facilities in North America.

During 1994 VCEC hosted 457 events representing 540,000 delegate days¹ with a utilization of virtual capacity more than 65 per cent (industry average is 50 to 55 per cent). In this same year Vancouver turned away 41 major functions because of lack of space or size of spaces available. Vancouver, with all of its success, was rated as 54th in North America in terms of facilities for trade and convention business. Viewed from the position of being second in desirability as a convention location, a review of facilities at VCEC was initiated by BC Pavilion Corporation (BC PavCorp).

2.2 Proposed Expansion

Between 1993 and 1994 a proposal for a major Hotel and mixed-use development adjacent to Canada Place, incorporating an expansion for VCEC was put forward, but did not proceed.

In late 1994 the BC Pavilion Corporation reviewed their needs based on the following:

- VCEC was turning away business because of inadequate facilities.
- VCEC's main business segment (1,000 - 2,000 delegates) was experiencing growth in the trade show components of conventions and would soon outgrow VCEC facilities.
- That no expansion (status quo) would eventually lead to less business as their market niche was reduced.
- The plan for 'Open Skies' with the United States would be implemented, thereby increasing Vancouver's accessibility and increasing opportunities for convention sales.

¹ Source: BC Pavilion Corporation.

- The economic benefits in dollars and jobs directly related to VCEC warranted expansion of facilities.

Armed with these indicators, the BC Pavilion Corporation initiated a number of studies to support their position on the need for expansion. Two separate reports by Gary Duke & Ray Spaxman Associates (commissioned by the Province of British Columbia in 1995) and KPMG (commissioned by BC PavCorp in 1996) assessed the need for:

- a 23,225 square metre (250,000 square foot) exhibit hall
- between 5,570 and 8,360 square metres (60,000 and 90,000 square feet) of meeting spaces
- a 4,645 square metre (50,000 square foot) ballroom/banquet hall/meeting room
- a 1,000 to 1,500 seat theatre (optional)
- 9,290 square metres (100,000 square feet) of kitchen, service and storage facilities to support the above (Duke & Associates)
- a minimum 1,000 room Hotel connected to the convention facility (KPMG).

The studies were focused on putting the expansion of VCEC on the agendas of the Federal, Provincial and Municipal governments and included:

1. *Future Opportunities for Convention Business in Vancouver*, April 1995 (Duke/Spaxman)
This study reviewed available data on the need for expansion as well as a preliminary look at possible locations. This study also recommended a process to initiate expansion dialogue between the three levels of government.
2. *Assessment of the Market Potential for Expanded Convention Facilities in Vancouver*, April 1995 (KPMG)
This study was a statistical look at the trade and convention industry in North America, its growth and the potential for Vancouver, and the facilities required.
3. *Potential Economic Impact of Additional Convention/Trade Show Facilities in Vancouver*, April 1996 (KPMG)
This study looked at the impacts on gross domestic product (GDP), jobs and government revenues based on a programmed expansion of VCEC.

The conclusion of the first two studies noted above was that expansion of the VCEC was necessary if Vancouver and British Columbia were to realize the potential benefits doing so would bring. This fact, combined with the reality of 'Open Skies', convinced the Provincial Government to initiate a process to select a site for the expansion and to determine the programme for expanded facilities. The selection process is described in Section 3.0 of this report.

2.3 The Need for Expanded Cruise Ship Facilities

Vancouver is the home port for the fleet of international cruise ships that service the Alaska cruise theatre. Faced with potential competition from American ports such as Seattle, Washington (pending changes to the U.S. Passenger Act—American ports are attempting to have the act changed—it now prohibits foreign ships from docking at two consecutive American ports), Vancouver must develop the necessary facilities to allow for the forecasted expansion of the Alaska fleet over the next 6 to 10 years.

In 1998, Seattle announced it had succeeded in signing up a ship on the Alaska run to home port there. The reasons given by the cruise line were that they could not secure a weekend sailing schedule out of Vancouver because all slots were taken. Although ships sail from Vancouver six (6) days a week (Wednesday is the exception on a regular schedule) all cruise lines need at least one weekend sailing to be competitive in the market. The new cruise facility will provide additional weekend capacity.

The Alaska cruise theatre, which operates from May to October each year has experienced double-digit growth in most of the last ten years. In 1998, the fleet using Vancouver as its home port has grown to 24 ships, each making 7 or 14 day return schedules throughout the Alaska cruise season. New larger vessels carrying upwards of 2,200 passengers have replaced some smaller ships creating a need for Vancouver's facilities to keep pace with both the growth in size and number of ships.

The passenger count in 1998 was 875,000 and is forecasted to grow to 1.2 million passengers by the year 2005. This growth could see the fleet expand from 24 in 1998 to a maximum of 35 ships by the year 2020. The limitations on the ultimate maximum size of the fleet are based on the ability of the Alaska ports of call to handle ships in various itineraries.

With the growth in the size, number of ships and ability to transport more passengers, Vancouver has experienced an economic benefits growth from \$142 million in 1993 to \$250 million in 1998. These benefits could grow to upwards of \$400 million (in 1993 dollars) when the fleet is maximized within the next 6 to 10 years. A key component of these benefits is the large number of small companies that provide services and provisions to the ships. The business provided by the cruise industry supports the service facilities in the Port of Vancouver which in turn services the needs of all ships calling in the port. This service ability is critical to the Port of Vancouver maintaining its position as the largest port on the West Coast of North America.

Answering the Need

The expansion of the cruise ship facilities at Canada Place, from two to three berths, is an integral part of the Portside Project facilitating the future requirements of the Alaska cruise fleet. With the capability to handle and process three large ships a day, the expanded facility at Canada

Place will provide the required expansion for the Port of Vancouver through the period to the maximization of the fleet. Coupled with a dedicated berth at Ballantyne pier and a fifth "as required berth" also at Ballantyne, Vancouver will be positioned to maximize the Alaska cruise business and capture the economic benefits that accrue from that activity.

2.4 Reference Documents

Gary Duke and Associates and AWA/Spaxman Consulting Ltd., *Future Opportunities for the Convention Business in Vancouver*, April 1995.

KPMG Peat Marwick, *Assessment of the Market Potential for Expanded Convention Facilities in Vancouver*, April 1995.

KPMG Peat Marwick, *Potential Economic Impact of Additional Convention/Trade Show Facilities in Vancouver*, April 1996.

Appendix D

The Vancouver Trade and Convention Centre Authority

VTCCA Structure:

- The Government of British Columbia has caused the incorporation of a new authority, the Vancouver Trade and Convention Centre Authority (VTCCA) who will take responsibility for developing, owning and maintaining expanded convention facilities in Vancouver.
- The VTCCA is a not for profit, non-share capital company established under the Canada Corporations Act, Part II to promote tourism and conventions in British Columbia.
- The VTCCA is the latest in a series of non-share capital companies established across Canada to develop, own, manage and operate public infrastructure. Recent examples include:
 - the Vancouver International Airport Authority
 - E-Comm (the BC Lower Mainland emergency response organisation)
 - NAV Canada (the national air traffic control organisation)

VTCCA Objectives:

The VTCCA is designed to achieve a number of objectives:

1. to ensure the retrofitted existing convention facilities in Canada Place are fully and efficiently integrated in a seamless manner with the new expansion convention facilities. This means, in part, to ensure that use of those retrofitted facilities is secured for the same 99 year period as the new expansion facilities, in a practical manner.

The planned new expansion facilities are not functional on their own. Operationally, they require the retrofitting of the existing convention facilities in Canada Place and, once complete, the combined facilities must be maintained and operated as a single facility.

The original private ownership structure proposed by Greystone largely ignored these fundamentally important and difficult integration matters.

The VTCCA structure is a practical long term alternative that resolves these issues up front. It does so directly through legal arrangements and also through the constitution of its membership.

2. to give the primary contributors and beneficiaries collective control of major decisions affecting facilities they own or will be funding. Primary contributors and beneficiaries include:
 - the Vancouver Port Authority (VPA) who will be providing long term leases of land and existing facilities (through Canada Place Corporation);
 - the federal government who is expected to contribute financially to the Canada Place retrofit, allowing the integration and development of the expanded convention facilities;
 - industry through financial contributions over the first 30 years;
 - the Province through a loan to the Authority;
 - the Province, through the BC Pavilion Corp. lease of the expanded convention facilities.

Major contributors will appoint Members to the VTCCA. Those Members will, in turn, appoint the 9 person Board of Directors. Each of Canada, BC and Industry will appoint 3 directors.

3. To provide an attractive vehicle for federal government to fund its \$170 million contribution.

Federal government support will constitute an equitable contribution to achieve its associated tax benefits, to expand and maintain its own assets, and to continue the co-operative economic development initiative surrounding Canada Place that began with Expo 86.

4. To capture:
 - the anticipated annual average \$300 million in incremental delegate and cruiser spending expected over the first 30 years from successfully marketing enhanced convention and cruise facilities; and
 - the roughly \$2 billion (\$1 billion in present value terms) in incremental federal and provincial tax revenues, approximately one half of which will accrue to each of the federal and BC treasuries, all at the lowest possible cost while achieving the aforesaid objectives.



VTCCA Relationship to BC Pavilion Corporation (Pavco)

- As with the Concert proposal, the Province, through Pavco, will continue to operate and market the Vancouver Convention and Exhibition Centre facilities and services.
- Pavco will obtain the rights to market and operate the existing convention facilities, in their retrofitted form, through a lease from the VTCCA
- A principal objective of the Province is to minimise the capital cost of the facilities and hence Pavco's cost of leasing the convention facilities. Ultimately, it is Pavco's marketing of the convention facilities under lease that will deliver the substantial economic and tax benefits to the stakeholders.

Financial Benefits of the VTCC Authority Structure:

- An important benefit of the VTCCA structure is that it substantially lowers the development and operating costs and, as a result, lowers Pavco's lease costs.
- A for-profit, taxable private owner using market equity and subordinated debt financing would have a much higher development cost, as the Portside public-private partnership proposal demonstrated.
- The VTCCA will not pay income or capital taxes, nor will it have expensive equity and debt service requirements.
- Nor will the VTCCA, at the end of the lease term, ask Pavco more in lease extension payments than is required for the VTCCA to recover costs. This will represent significant savings for Pavco.
- The VTCCA will have an ownership structure, an integrated asset, and lease arrangements that will allow it to borrow from banks and the capital markets at relatively narrow spreads over the Province cost of funds.